

IDEAS ON LIBERTY

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IDEAS ON LIBERTY

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Why Is Slavery Possible?

Leonard E. Read

IT IS easy enough to see how a man who has once known freedom might be forced — against his will and despite his struggles — into captivity. It is no puzzle, for example, to understand how a man could be forced — at gunpoint — into a Siberian salt mine.

But what is the explanation when freedom declines among men who had known its blessings and yet put up no scrap to stay free? Why the lethargy all about us while American citizens submit to one control after another? Where are the scrappers — the defenders of individuality who might forestall this trend toward slavery? Surely, slavery could never succeed in the face of determined and continuing resistance.

FOR EXAMPLE, there wouldn't be a tiger in any zoo were the tiger to remain as ferocious as when first captured. Man simply would not put up with such a beast. The caged tiger, however, does not retain his ferocity. The wild beast soon becomes docile and as grateful for its food and other attentions as a house cat.

Why? The tiger was at liberty in

its native habitat, had experienced freedom, but ferocity attends only the initial stages of captivity. Docility comes quickly and certainly with imprisonment. Could the reason be that the tiger has no understanding of the distinctions between liberty and serfdom? Knows no definitions? If the tiger has no knowledge or awareness of his liberty, he cannot remember a knowledge he has never possessed. His cage becomes the only habitat he knows, and he eats and sleeps, contentedly.

There never would have been any Negro slavery in America had the Negroes remained as intractable as when first taken in hand by the slave traders. They rebelled at first but soon became docile. They, too, had been at liberty in their African habitat. However, they were primitive men. They lacked the power of articulate expression in the field of ideas. They were not in possession of definitions and the distinctions between freedom and slavery. They lacked awareness; nor could they remember that which had never been known to them. They soon accepted as normal the slavery which became their lot.

Mr. Read is president of the Foundation for Economic Education.

They had nothing but the normalcy of their slavery to serve them as a point of reference.

SYMBOLIC of the modern trend toward serfdom is the imposition of progressive taxation, especially the income tax. The Sixteenth Amendment would not be on our statute books had any substantial number of Americans foreseen its consequences.

In this instance of a growing serfdom or, conversely, a loss in freedom of choice, there was no abrupt change to arouse resistance. These progressive taxes were imposed ever so gradually. Hardly anyone noticed the "take" at first. Americans adopted the principle of progressive taxation because they did not understand it. They did not realize that this was a denial of the concept of equal treatment under the laws and a displacement of the methods of voluntary exchange with a government-enforced policy "from each according to his ability, to each according to his need."

Further proof that there was but little understanding of the liberty that was forsworn and the intervention that was accepted is the fact that as the "take" has increased over the years, there has been no rebellion, even on the part of those on whom the "bite" has been the greatest. Each succeeding increase is only a new normalcy

greeted with the docility and indifference of the imprisoned tiger and the enslaved Negro. And, in my view, the reasons are the same: No understanding of the definitions and the sharp distinctions between liberty and serfdom.

It is self-evident that tigers will never be freed from zoos by any doing of their own.

It is a historical fact that slavery was not abolished in America by any rebellion on the part of the Negroes.

It is equally plain that present-day Americans who have accepted or are indifferent to the growing encroachments of the state cannot be expected to rescue themselves.

INTELLECTUAL REBELLION is not made of indifference or docility. It is made of sterner stuff. It has its roots in an understanding that liberty is the freedom to do as one pleases creatively; that restraint has no place except against destructive, predatory activity; that serfdom restrains creative action. It displaces self-control with control of self by others. To deprive a person of self-control leaves him little incentive to indulge in constructive or creative thought. Without the desire, one soon loses the capacity for self-control.

A person who understands these distinctions, even though he be in prison or in the salt mines at the

point of a gun, cannot be called a serf. All that can be properly said of him is, "There is a free man restrained."

Free men, defined as those who understand these distinctions, are the only ones who can rescue the indifferent and the docile from a growing serfdom. The burden is on them and them alone. The burden cannot be shared by anyone who is unaware.

Awareness of the difference be-

tween slavery and liberty is the individual's only defense against enslavement. Therefore, it is tremendously important to preserve the ideals of self-control, reflected in the concepts of personal choice, private property, freedom of exchange, and government limited to the defense of these rights of the individual. To lose awareness of these ideals makes slavery possible, without a struggle. It is passive surrender of the only reason, if not the only chance, for life.

Why Do Men Fear Freedom?

The root of the matter is man's unwillingness to accept the concomitant of freedom, which is responsibility.

HARDIN CRAIG. "Freedom and Renaissance"

It may seem strange that the slave, totally lacking in liberty, frequently feels no strong resentment toward the master who has enslaved him. In fact, the slave may even feel grateful toward his master who "so kindly gives me food and necessities with which to live, and without which I would surely die." It is said that many a newly-freed slave after the War Between the States feared liberty because, due to the narrow vision of his experience as a slave, he acquired this strange feeling of kindness toward his oppressor. A similar feeling is reported to have been held by the oppressed in Hitler's Germany, and in Stalin's Russia; and we have noted the same feeling among those who have acquired the habit of leaning on a benevolent government in our own country. All these victims of a lost liberty are unmindful of the fruits of liberty, due to the blindness which compulsory or voluntary slavery has caused. "Forgive them, for they know not . . ." but let them become free so that they may know!

Extract from "Liberty: A Path to Its Recovery" by F. A. HARPER, Foundation for Economic Education, Irvington-on-Hudson, N. Y. Paper-bound \$1.00

The State

Frédéric Bastiat

Frédéric Bastiat (1801-1850) was an economist, statesman, and author during a period when France was drifting rapidly toward socialism. His clear description of that trend and its evil consequences, written in 1849, merits serious consideration in the United States of America today.

I WISH someone would offer a prize — not of a hundred francs but of a million, with crowns, medals, and ribbons — for a good, simple, intelligible definition of the term, *The State*.

What an immense service such a definition would render to society!

The State! What is it? Where is it? What does it do? What should it do? We only know that it is a mysterious being; and, it is certainly the most petitioned, the most harassed, the most bustling, the most advised, the most reproached, the most invoked, and the most challenged of any being in the world.

I have not the honor of knowing my reader, but I would stake ten to one that sometime in the last six months you have designed Utopias, and if so, that you are looking to The State for the realization of them.

But alas! That poor unfortunate being, like Figaro, knows not which

plea to hear nor where to turn. The hundred thousand mouths of the press and of the platform cry out all at once —

Organize work and the workmen.

Cover the country with railways.

Irrigate the plains.

Reforest the hills.

Establish model farms.

Colonize Algeria.

Educate the youth.

Assist the aged.

Equalize the profits of all trades.

Lend money without interest to all who wish to borrow.

Emancipate Italy, Poland, and Hungary.

Encourage the arts, and train musicians and dancers for us.

Restrict commerce, and at the same time create a merchant marine.

Discover truth, and put a bit of sense into our heads. The mission of The State is to enlighten, to develop, to ennoble, to strengthen, and to sanctify the soul of the people.

“Wait, Gentlemen! A little pa-

tience," says The State beseechingly. "I will try to satisfy you, but for that I must have some resources. I have prepared plans for five or six entirely new taxes, the mildest in the world. You will see how gladly people will pay them."

But then a great hue and cry arises: "No! No! A fine thing — doing something with resources! This is hardly worthy of The State! Instead of loading us with new taxes, we call upon you to repeal the old ones. Decrease the salt tax, the liquor tax, the stamp tax, custom-house duties, monopoly license fees, and tolls."

In the midst of this tumult, the people have changed their government two or three times for failing to satisfy all their demands. To date, everything presenting itself under the name of The State is soon overthrown by the people, precisely because it fails to fulfill the somewhat contradictory features of its platform.

I fear we are, in this respect, the dupes of one of the strangest illusions which has ever taken possession of the human mind.

MAN RECOILS from effort, from suffering. Yet, he is condemned by nature to the suffering of privation if he does not make the effort to work. He has only a choice then, between these two: privation, and work. How can he manage to avoid

both? He always has and always will find, only one means: *to enjoy the labor of others*; to arrange it so that the effort and the satisfaction do not fall upon each in their natural proportion, but that some would bear all the effort while all the satisfaction would go to others. This is the origin of slavery and plunder, whatever form it takes — whether wars, impositions, violences, restrictions, frauds, etc., monstrous abuses, but in accord with the idea which has given them birth.

Slavery is subsiding, thank heaven, and our disposition to defend our property prevents direct and open plunder from being easy. However, there remains the unfortunate, primitive inclination in all men to divide the lot of life into two parts, throwing the trouble upon others and keeping the satisfaction for themselves. Let us examine a current manifestation of this sad tendency.

THE OPPRESSOR no longer uses his own force directly upon his victim. No, our conscience has become too sensitive for that. There is still the tyrant and his victim, but between them is an intermediary which is The State — the Law itself. What could be better designed to silence our scruples and — more important — to overcome all resistance? Thus do all of us, by various claims

and under one pretext or another, appeal to The State:

"I am dissatisfied with the ratio between my labor and my pleasures. In order to establish the desired balance, I should like to take part of the possessions of others. But that is a dangerous thing. Couldn't you facilitate it for me? Couldn't you give me a good post? Or restrain my competitors' business? Or perhaps lend me some interest-free capital, which you will have taken from its rightful owners? Or bring up my children at the taxpayers' expense? Or grant me a subsidy? Or assure me a pension when I reach my fiftieth year? By this means I shall achieve my goal with an easy conscience, for the law will have acted for me. Thus I shall have all the advantages of plunder, without the risk or the disgrace!"

All of us are petitioning The State in this manner, yet it has been proven that The State has no means of granting privileges to some without adding to the labor of others.

The State is the great fiction through which everybody endeavors to live at the expense of everybody.

Today, as in the past, nearly everyone would like to profit by the labor of others. No one dares admit such a feeling; he even hides it from himself. So what does he

do? He imagines an intermediary; he appeals to The State, and every class in its turn comes and says to it: "You, who can do so justifiably and honestly, take from the public; and we will partake of the proceeds."

Alas! The State is only too much disposed to follow this diabolical advice; for it is composed of ministers and officials — of men, in short — who, like all other men, desire in their hearts and eagerly seize every opportunity to increase their wealth and influence. The State quickly perceives the advantages it can derive from the role entrusted to it by the public. It will be the judge, the master of the destinies of all. It will take a lot: then much will remain for itself. It will multiply the number of its agents, and increase its functions, until it finally acquires crushing proportions.

BUT THE MOST remarkable thing is the astonishing blindness of the public while all this takes place. In the past, when victorious soldiers reduced the vanquished to slavery they were barbarous, but they were not foolish. Their object, like ours, was to live at the expense of others; but they succeeded, where we fail. What are we to think of a people who never seem to realize that *reciprocal plunder is no less plunder* because it is reciprocal; that it

is no less criminal, because it is carried out legally and peacefully; that it adds nothing to the public good, but rather diminishes it by the amount of the cost of that expensive intermediary we call The State?

And this great illusion we have placed, for the edification of the people as a frontispiece to the Constitution. Here are the first words of the preamble:

"France has constituted itself a Republic to . . . raise all the citizens to an ever-increasing degree of morality, enlightenment, and well-being."

Thus it is France — an *abstraction* — which is to raise the French — or *realities* — to morality, well-being, and so on. Isn't it our blind attachment to this strange delusion that leads us to expect everything from a power not our own? Isn't it suggesting that there is, apart from the French people, a virtuous, enlightened, rich being who can and should bestow its favors upon them?

THE AMERICANS develop a different idea of the relationship of the citizens with The State, when they placed these simple words at the beginning of their Constitution:

"We, the people of the United States, in order to form a more perfect Union, establish Justice, in-

sure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain . . ."

Here is no shadowy creation, no *abstraction*, from which the citizens may demand everything. They expect nothing except from themselves and their own energy.

I contend that the *personification* of The State has been in the past and will be in the future, a fertile source of calamities and revolutions. There is the public on one side, The State on the other, considered as two distinct beings; the latter obligated to bestow upon the former, the former having the right to claim from the latter a flood of human benefits. What must happen?

The State has two hands, one for receiving and the other for giving — a rough hand and a smooth one. The activity of the second is necessarily subordinate to the activity of the first. Strictly speaking, The State can take and not give back. This can be seen and can be explained by the porous, absorbing nature of its hands, which always retain part and sometimes all of what it touches.

But that which is never seen, which never will be seen, and which cannot even be imagined, is that The State can return *more* to the people than it has taken from them.

Therefore it is ridiculous for us to appear before The State in the humble attitude of beggars. It is utterly impossible for it to confer a specific benefit upon some of the individuals who make up the community, without inflicting a greater injury upon the community as a whole.

OUR DEMANDS, therefore, place The State in an obvious dilemma! If it refuses to grant the requested benefit, it is accused of weakness, ill-will, and incapacity. If it tries to grant their requests, it is obliged to load the people with increased taxes — to do more harm than good — and to bring upon itself general displeasure from another quarter.

So, the public has two hopes, and The State makes two promises: *many benefits and no taxes* — hopes and promises, which, being contradictory, can never be realized.

Is not this the cause of all our revolutions? For between The State, which lavishly promises the impossible, and the public, whose hopes can never be realized, there come to interpose two types of men: the ambitious and the Utopians. The circumstances give them their cue. These office seekers need only cry out to the people: "The authorities are deceiving you. If we were in their place, we would load

you with benefits and exempt you from taxes."

And the people believe, and the people hope, and the people substitute a new government for the old.

No sooner are their friends in charge of things, than they are called upon to redeem their pledge. "Give us work, bread, assistance, credit, instruction, colonies," say the people, "and meanwhile deliver us, as you promised, from the clutches of the tax gatherer."

THE NEW government is no less embarrassed than the former one, for it is easier to promise the impossible than to do it. It tries to gain time which it needs for maturing its vast projects. First it makes a few timid attempts: On one hand, it slightly expands primary education; on the other, it makes a small reduction in the liquor tax. But the contradiction always confronts the administration: If it would be philanthropic, it must attend to its treasury; if it neglects the treasury, it must give up being philanthropic.

These two promises are always and inevitably clashing with one another. To live upon credit, that is, to exhaust the future, is certainly a temporary method of reconciling them — an attempt to do a little good now, at the expense of a great deal of harm in the future. But this procedure calls forth

the specter of bankruptcy, which puts an end to credit. What is to be done then? Why then, the new government defends itself boldly. It unites its forces to maintain itself: It smothers opinion, has recourse to arbitrary measures, ridicules its former slogans, declares that it is impossible to govern except at the risk of being unpopular; in short, it proclaims itself *governmental*.

And this is what other candidates for office are waiting for. They exploit the same illusion, follow the same course, obtain the same success, and are soon swallowed up in the same abyss.

THE LATEST manifesto of the Montagnards, which they issued at the time of the presidential election, concludes with these words: — "*The State ought to give a great deal to the people, and take little from them.*" It is always the same tactics, or rather, the same mistake. The State must:

Give free instruction and education to all the citizens.

Give a general and professional education, as much as possible adapted to the needs, talents, and capacities of each citizen.

Teach every citizen his duty to God, to man, and to himself; develop his perceptions, his aptitudes, and his faculties; teach him, in short, the skill of his trade; make him understand his own in-

terests, and give him a knowledge of his rights.

Place within the reach of all literature and the arts, the heritage of thought, the treasures of the mind, and all those intellectual possessions which elevate and strengthen the soul.

Give compensation for every disaster, fire, flood, etc., experienced by a citizen. (The *et cetera* means more than it says.)

Act as mediator in the relations between capital and labor, and become the regulator of credit.

Give substantial encouragement and effectual support to agriculture.

Purchase railroads, canals, and mines — and doubtless administer them with its characteristic industrial ability!

Encourage useful experiments, promote and assist them by every means likely to make them successful. As a regulator of credit, it will have extensive control over industrial and agricultural associations in order to assure their success.

The State *must* do all this, in addition to the services to which it is already pledged! For instance, it is always to maintain a menacing attitude towards foreigners. The signers of the manifesto say that: "Bound together by this holy union, and by the precedents of the French Republic, we carry our wishes and hopes beyond the barriers which despotism has raised between nations. The rights which

we desire for ourselves, we desire for all those who are oppressed by the yoke of tyranny; we desire that our glorious army should, if necessary, again be the army of liberty."

You see that the gentle hand of The State — that good hand which gives and distributes — will be very busy under the direction of these reformers. You think perhaps it will be the same with the rough hand — that hand which penetrates and takes from our pockets?

DO NOT deceive yourselves. The politicians would not know their trade, if they had not the art, when showing the gentle hand, to conceal the rough one. Their reign will assuredly be the jubilee of the taxpayers!

"It is luxuries, not necessities," they say, "which ought to be taxed."

Won't it be wonderful that the treasury, in overwhelming us with favors, will content itself with curtailing our luxuries!

This is not all. This party of reformers intends that "taxation shall lose its oppressive character, and be only an act of brotherhood." Good heavens! I know it is the fashion to thrust brotherhood in everywhere, but I did not imagine it would ever be put into the proclamations of the tax gatherer.

Well, I ask the impartial reader, is this not childishness, and more than that, dangerous childishness? Is it not inevitable that we shall have revolution after revolution, if it is once decided never to stop till this contradiction is realized: "Give nothing to The State and receive much from it?"

Citizens! At all times, two political systems have been in existence, and each can justify itself with good reasons. According to one of them, The State should do a lot, but then it should take a lot. According to the other, this twofold activity ought to be limited. We have to choose between these two systems.

But the third system, which partakes of both the others, and consists in exacting everything from The State without giving it anything, is chimerical, absurd, childish, contradictory, and dangerous. Those who advocate such a system are only flattering and deceiving you, or at least are deceiving themselves.

As for us, we consider that The State is and ought to be nothing whatever but *community force* organized, not to be an instrument of oppression and mutual plunder among citizens, but, on the contrary, to guarantee to each his own, and to cause justice and security to reign.

The Hot Fight Over The Right To Work

Edward Maher

IN MAY, 1953, fourteen resolute *hombres* in the State of Texas remembered the Alamo and resolved to go down fighting if need be rather than surrender to overwhelming odds. The battleground was a court of justice and the force arrayed against them was a group of powerful nation-wide unions, backed by the authority of federal law. The point at issue was whether it is permissible under the Constitution of the United States to require people to join labor unions to get or keep their jobs.

This question has become hotter this year than a packed airliner waiting to be cleared for take off, and the temperature is building up steadily both nationally and in many state capitals. Eighteen of the states now have laws which forbid compulsory unionism in any form, and efforts are afoot currently to pass similar laws in over a dozen more states. Their proponents call these "right-to-work" laws; organized labor says the real objective is the "right-to-wreck" unions. Several other court cases,

in addition to the one in Texas, are in the works and are expected to reach the U. S. Supreme Court before they are finally settled.

The federal Taft-Hartley Act, governing the bulk of labor-management relations, prohibits the negotiating of "closed shop" agreements between unions and employers. The Act does allow the "union shop," under which nonmembers and new employees are required to apply for union membership within a specified time, usually 30 days. When the union shop is coupled, as it often is, with "preferential hiring," or hiring through the union, the effect is the same as that of the closed shop. Section 14 (b) of the Taft-Hartley Act recognized the right of states to guard against such coercive unionism: "Nothing in this Act shall be construed as authorizing the execution or application of agreements requiring membership in a labor organization as a condition of employment in any State or Territory in which such execution or application is prohibited by State or Territorial law."

Mr. Maher, former editor in chief of LIBERTY, has also written for THE SATURDAY EVENING POST, THE READER'S DIGEST, THE FREEMAN and other magazines.

However, the Texas fourteen happen to work for the Santa Fe Railroad, and railroad employees do not come under the Taft-Hartley Act. Labor relations in that industry are governed by the Railway Labor Act which was amended in 1934 to prohibit closed shop or union shop contracts, but further amended in 1951 at the urging of the railroad brotherhoods to permit the union shop.

ARMED with this amendment, and unhampered by any Section 14 (b), the brotherhoods sought union shop contracts with the nation's railroads. They ran into trouble with the Santa Fe which is a big operator in the State of Texas. The fourteen employees mentioned above, three of them already union members, sought an injunction to prevent the carrier and the brotherhoods from negotiating and enforcing a union shop agreement. Although named as a defendant, Santa Fe sided with its employees against the unions by a cross-petition.

The suit was brought in the 108th District Court of Texas, at Amarillo, on the theory that the Texas right-to-work law governed the parties because the union shop amendment of 1951 to the Federal Railway Labor Act was unconstitutional. After an extended trial, numerous issues of fact were put

to a jury for its decision. With a single exception, it found these issues in favor of the individual employees and the railroad. These findings provided the basis for the injunctive relief granted by Judge E. C. Nelson against the compulsory unionism scheme sought by the railroad nonoperating unions.

In his accompanying opinion, "not directed at unionism, but only at compulsory unionism," the Judge stated that Congress had exceeded its constitutional authority in authorizing union shop agreements. "Whether the employees of the Santa Fe are union members or not is not a matter vital to the carrying on of commerce between the states," he said. The Judge also said any law or agreement which abridges a person's right to work at any ordinary vocation "effectively denies to him his liberty, the pursuit of happiness, and the means of obtaining a livelihood, which is to say, life itself. . . .

"There have been, in the past, many organizations that have tried to compel membership in them by penalizing those who did not become members. This has been true of political parties, of industrial and business organizations, and even of the Church. There was a time when if a man did not belong to the established church, he was deprived of his political rights. That time has passed. Man must

be free to exercise his own choice as to whether he will or will not belong to a private organization, and to require his membership as a condition of his right to work is repugnant to American concepts of individual freedom."

In Judge Nelson's opinion, "the making and enforcing of a union shop agreement such as proposed by the defendants would deprive the plaintiffs and the Santa Fe of rights guaranteed under the Constitution" and would violate "essential and inherent rights of man."

THE BROTHERHOODS appealed the decision, of course, and won a reversal in the Texas Court of Civil Appeals. The plaintiffs in turn appealed the reversal to the Texas Supreme Court where the matter rests at this writing. In due time, it is expected to come before the Supreme Court of the United States. When it reaches there, the plaintiffs will seek a decision in the basic issue of whether union shop agreements, when expressly authorized by Act of Congress, violate fundamental constitutional rights, as Judge Nelson says.

It is an issue on which people of integrity and indisputable goodwill are sharply divided. Secretary of Labor, James P. Mitchell, for example, startled the nation and incensed right-to-work advocates by appearing at the C.I.O. Convention

in Los Angeles last December and announcing he was "categorically" opposed to state right-to-work laws. He urged their repeal on the ground "these laws do more harm than good . . . do not create any jobs at all . . . result in undesirable and unnecessary limitations upon the freedom of working men and women and their employers to bargain collectively . . . restrict union security and thereby undermine the basic strength of labor organizations."

"When employers and unions representing a majority of their employees agree on a union shop, they should have the right to have one," said Mr. Mitchell.

Next day, at his press conference, President Eisenhower said that Mitchell was speaking for himself and not for the Administration. This, in turn, incensed Walter Reuther, C.I.O. chieftain, who blasted the President's failure to back up Mitchell. He said it was "political fraud" to call Mitchell a Cabinet member as he was just "window dressing." To such intemperate lengths does controversy on this subject lead people on both sides.

BEFORE a good look can be had at the factors involved in the argument, it is necessary to clear away the thick layer of verbal underbrush with which it has been sur-

rounded. Labor circles in particular are prone to discuss right-to-work laws in terms of the desirability for national treatment of labor-management relations, the proper division of authority between the federal government and the states in labor matters, the use of right-to-work laws to keep wages down and thus attract new industries, and similar aspects of the subject which are related only tangentially to the basic issue of where freedom under the Constitution begins and ends.

A more cogent union argument is that having to do with "majority rule." Perhaps this is best expressed by Max Meyer, a labor arbitrator, in a finding handed down in 1946:

"It is our opinion that freedom to work, like all freedoms, may properly be qualified to the extent necessary for the welfare of the greatest number and we believe that, when a union represents a large majority of the employees within the bargaining unit, when it is responsible in its financial dealings with members and others, when it is democratic in its practices, and when its history is one of stability and responsibility, if the representatives of the majority of the employees request it, it is fair both to employer and to employees that the employees' freedom to work be qualified to the

extent of requiring them to belong to the union."

That opinion, of course, is not shared by Mr. F. G. Gurley, President of the Santa Fe, who in April, 1954, addressed the Academy of Political Science as follows: "There is nothing absolute about the principle of majority rule. It is not unlimited. Under free institutions the majority may not encroach upon the fundamental liberties of the minority. The very purpose of our Constitution and of the Bill of Rights is the protection of minorities. Tyranny and oppression are as bad at the hands of a majority as at the hands of George III or a dictator heading a modern police state."

MR. GURLEY also commented on the "free rider" argument often cited by the unions: "The theory of the free rider argument is that when an organization is protective or promotive of the interests of a class or group, every member of that class or group should be compelled to join and support the organization. . . . The non-union man in a craft represented by a union has no choice but to accept the wages, hours and working conditions negotiated by the union. His right to negotiate with the employer on these subjects has been taken away from him and vested in the union. He may strenuously

object to union representation. But there is nothing he can do but accept it. The truth of the matter is that he is a forced follower, not a free rider."

As a further argument, the unions point out that the Taft-Hartley Act requires them to represent all the workers in a bargaining unit, members and nonmembers, and therefore they should be permitted to negotiate agreements requiring all to join.

IN ESSENCE, these three arguments add up to one of "democracy" — that it is "democratic" to require a minority not only to abide by the will of the majority but to join it. The opponents of compulsory unionism see it differently. They say the Constitution of the United States was fashioned to prevent just this sort of tyranny by a majority over the rights of a minority and cite the Supreme Court as their authority. In a 1949 decision upholding the constitutionality of the Nebraska and North Carolina right-to-work laws the Court said:

"There cannot be wrung from a constitutional right of workers to assemble to discuss improvement of their own working standards, a further constitutional right to drive from remunerative employment all other persons who will not or can not participate in union assemblies. The constitutional

right of workers to assemble, to discuss and formulate plans for furthering their own self-interest in jobs cannot be construed as a constitutional guarantee that none shall get and hold jobs except those who will join in the assembly or will agree to abide by the assembly's plans."

Right-to-work law advocates contend unions have plenty of factors working to compel membership, aside from union shop agreements. They say the power to represent members and nonmembers alike as their exclusive bargaining agent is a power the law gives to no other kind of organization and enables unions to exert great pressure on nonmembers of a bargaining unit. Also operating to compel membership, they say, are pension and welfare plans, force and threats, ostracism and abuse. Violence is so widespread despite the law, one attorney with wide experience in labor matters insists, and "the ability to make life miserable in ways no law governs is so well developed that most employees in unionized industries are in far greater fear of the unions than they are of their employers."

The fundamental purpose of all state right-to-work laws is to outlaw the denial of employment to persons on account of membership or nonmembership in a labor organization — in other words to put

union membership on a purely voluntary basis. This purpose was eloquently expressed by Governor Gordon Persons of Alabama in 1953 in his message approving that state's right-to-work law.

Pointing out that churches are the greatest organizations in the world and have done much for mankind, yet no one is compelled to join; that veterans', farmers' and businessmen's organizations further the interests of all individuals in their respective categories and yet no one is required to become a member; that all Alabama teachers had benefited from the work of the Alabama Education Association without being forced to join and have dues deducted from their pay checks; and that even labor unions could affiliate with the big national labor organizations or stay out as they saw fit, the Governor said:

"Those who first settled in our great country did so because they wanted to. It has always been a tradition in America that any man could do as he pleased as long as he did not violate the laws of our land.

"In my opinion, all our labor unions will be far stronger and the members in them will have a far greater interest and respect in the organizations if membership can be shown to be desirable and they are not forced to join."

To move now from the area of abstract argument and get down to cases, the real objection of labor leaders to right-to-work laws is that they detract from "union security," make organization work more difficult, lessen their bargaining power and weaken their ability to discipline the workers they represent.

These objections undoubtedly are well-founded from the labor leaders' viewpoint. If workers are made to join unions in order to get or hold their jobs, the unions will be "secure" indeed. Their incomes will be assured through the "check-off" and their degree of control over individual workers will be absolute. Not everyone thinks this is good, including more than a few staunch union members.

THUS, Warren E. Stone, for many years Grand Chief Engineer of the Brotherhood of Locomotive Engineers, is on record as follows: "I do not believe in forcing a man to join a union. If he wants to join, all right; but it is contrary to the principles of free government and the Constitution of the United States to try to make him join. We of the engineers work willingly side by side with other engineers every day who do not belong to our union, though they enjoy without any objection on our part the advantages we have obtained. Some

of them we would not have in the union; others we cannot get." [W. G. Merritt, *The Open Shop and Industrial Liberty*. New York: The League for Industrial Rights, 1922. pp. 6-7.]

That same viewpoint was stated quite recently by Mr. Charles Geddes, president of the British Trade Union Congress: "I do not believe the trade union movement of Great Britain can live for very much longer on the basis of compulsion," he said. "Must people belong to us or starve, whether they like our policies or not? Is that to be the future of the movement? No. I believe the trade union card is an honor to be conferred, not a badge which signifies that you have got to do something whether you like it or not. We want the right to exclude people from our union if necessary and we cannot do that on a basis of 'belong or starve.'"

Opponents of compulsory unionism assert that it gives union leaders the power of economic life and death over individual workers and business organizations; that it enables energetic and often ruthless labor bosses to control the labor supply of an industry, not always in the interests of union members; that it enables them to perpetuate themselves in power and stifle all opposition within their ranks; and that it puts them into a position to exploit the rest of society for the

benefit of themselves and their members.

ARTHUR KROCK, the respected political analyst of *The New York Times* and assuredly no "lackey" of industrial management, points out that "Organized labor has legal privileges and immunities denied to all other groups in national production. These are the potentials of an industrial monopoly and a political pressure mass that could dominate the American system.

"Through protective statutes, friendly judicial decisions and the favoritism of political administrators organized labor has been granted special rights in the United States. And the Taft-Hartley Act has left uncurbed the two principal ones. The first is general immunity from the antitrust laws for actions which would be illegal if performed by employers. The second, specifically, is freedom to bargain on a nation-wide basis and to strike, if desired, a nation-wide industry vital to the general welfare."

When, in addition, the way is clear — as it still is in 30 of the 48 states, including most of the highly industrialized ones — to blanket thousands of individuals under the union banner and union control by the mere flick of a pen in bargaining with employers who have no choice but to accept the

union shop or see the gains and resources accumulated over the years dissipated by a strike, the power and political potential cited by Mr. Krock become alarming.

LABOR LEADERS and their supporters in the academic, religious, and political worlds insist there is no reason for alarm. To many of the latter, unionism is a "sacred cow" and can do no wrong. People who always are ready to make the welkin ring at the slightest suspicion individual or civil rights are being encroached on by congressional committees or government officials defend and absolve unions no matter what they do. They contend organized labor needs its power and privileges to continue its work of improving wages and working conditions, stimulating social progress and bringing about a more viable economy and a better-organized industrial society. They are sublimely sure such power always is used with wisdom and restraint.

One of the last to dispute this would be George Meany, president of the A.F.L. Speaking recently before the executive board of the United Steelworkers-C.I.O., he said:

"We are banded together for the benefit and the welfare of the many, not of the few, and, if there is fear about too much power, how can there be too much power if the power is for good and is used only

for good. You just can't have too much power."

Generally speaking, the attitude of union leaders and their supporters presupposes that all labor officials are saints and all employers are devils. Throughout the ample literature on the subject of compulsory unionism there is the assumption that employers always will act in a hardfisted, antisocial and antilabor manner and that union leaders are all dedicated Sir Galahads, devoted to the public welfare and the principles of freedom, in whose hands the destiny of the nation and the liberties of its people can be safely trusted.

Emily C. Brown, professor of economics at Vassar and one of the C.I.O.'s favorite authors, expresses the degree of this trust in words which are somewhat less than reassuring: "Taft-Hartley went entirely too far in permitting unions to require discharge only for non-payment of dues. Unions should be free under their own proper constitutional safeguards, and others provided by law, to exclude from the union and even from the jobs covered by the agreement, the spy, the disrupter, the troublemaker, in the rare case where such action can be justified."

Anyone familiar with the way unions can modify or interpret constitutional provisions at the drop of a whim from the Big Man real-

izes how little challenge ever could arise to entrenched leadership under such circumstances. Even those not familiar might read into this statement a strong argument for right-to-work laws in order to help preserve what little opportunity there is for the rank-and-file to make their wishes felt.

In any case, even accepting the assumption that union leaders generally are of the self-sacrificing, Galahad type, imbued with wisdom and sense of fairness beyond normal complement, what if only a few fail to live up to the billing? The laws by which other individuals and organizations live, and the laws which govern the conduct of business, are not made because everyone is crooked and untrustworthy but for the precisely opposite reason; they are made to protect the honest against those few who can't be trusted. A basic principle which led to the passage of right-to-work laws in the states which have them is that even benevolent despots have no place in American society and certainly not in American economic life.

IN VIEW of the powerful group-pull of the union or nonunion employees working in the same plant, and the much-proclaimed economic advantages of membership, it may seem odd to the uninitiated that labor leaders should place so much

stress on compulsion to join. No other organization in the country — economic, religious, social or political — demands any special provision of law, overriding the free choice of individuals, to aid them in increasing their rolls or adding to their "security." Why should unions need this special privilege, particularly in view of the advantages they are supposed to offer?

In its booklet in opposition to state right-to-work laws, the C.I.O. offers an answer to this question in the words of Paul Douglas, formerly professor of economics at the University of Chicago and now Senator from Illinois:

"While there is some force to this contention (that unions are protected from discrimination under law) it would seem to be only partially true. For in the first place, the law can only sift out and deal with the most obvious cases of discriminatory discharge. There is a fine art of getting rid of men whom one dislikes and most employers and managers are rapidly becoming expert practitioners of this art. Unionists can be dropped for minor infractions of rules which would pass unnoticed if committed by an antiunionist . . ."

The Senator's opinion obviously is based on the assumption that employers have as their main interest in life the getting rid of people who join unions, despite the law

which prohibits discharge for this reason and the costly litigation, formidable ill will, and loss of production which is sure to ensue if they try it. It ignores the fact that employers have businesses to run and that good workmen are prized in any shop; that a manager would have to find devious ways to discharge upward of 50% of his people in a shop with union representation in order to get rid of the union — and his success would be only temporary at that. To spend time on such activity instead of concentrating on making and selling the product would be a sure road to bankruptcy in most instances. Senator Douglas also ignores the fact that unions are far more adept at discriminating against and putting pressure on nonmembers than employers ever can be in the opposite direction.

TO INSIST that union security provisions are vital under such circumstances is to strain the imagination unduly. Besides, it is not borne out by the facts of union growth. More logical reasons for demanding security provisions is that they make life much easier for union leadership. Having once secured representation by a majority vote, it is much simpler to negotiate a contract which will blanket in the rest of the employees in a plant and thus avoid the mission-

ary work of convincing them they ought to belong. The union shop, coupled with preferential hiring, enables the union virtually to perpetuate itself in control of the jobs in that shop and the union officers in their jobs.

Mrs. Elinore M. Herrick, director of personnel of the *New York Herald Tribune*, accurately described the situation in a panel discussion before the Academy of Political Science: "Once an employer has accepted the principle of compulsory unionism as a practical matter, he is stuck with it and so are his present and future employees, despite the provision of the Taft-Hartley Act which gives the employees the right to petition for a decertification vote. I have seen a few instances of the kind of internecine warfare that such a situation develops and the destruction of production resulting from the turmoil of the fight. And there are too many examples of firms that have been forced out of business because their employees rejected a powerful union . . ."

As to the need of unions for security provisions in order to grow, some revealing statistics on the subject are those supplied by a few of the railroad brotherhoods, which were without such provisions for fourteen years. Fred G. Gurley, president of the Santa Fe, offered these figures to the Academy of Po-

litical Science, stating they came from union sources.

In 1935, the Brotherhood of Railway Clerks had about 72,000 members; by 1952 membership had grown to at least 250,000 and perhaps as high as 325,000.

The Brotherhood of Maintenance-of-Way Employees had about 33,500 members in 1935; in 1952 it had at least 158,600 and possibly as high as 171,400.

The Brotherhood of Railway Carmen grew from about 55,000 in 1935 to between 114,600 and 145,500 in 1952. According to Mr. Gurley, other railroad unions ex-

panded in comparable fashion during the same fourteen-year period, during which the law forbade compulsory unionism.

It may just be that if union officials did not place so much emphasis on compulsion, there would be more employees joining voluntarily. Americans are a cantankerous breed and don't like to be pushed into things, even for their own good. All this talk of the union shop, union discipline, and union control is like a red flag to many people who always have considered themselves free and want to stay that way.

EDITOR'S NOTE: To Mr. Maher's discussion of the right-to-work issue might well be added the following excerpts from an address by J. C. Gibson, vice-president and general counsel of the Santa Fe, before the Section of Labor Relations Law, American Bar Association, at Philadelphia, August 23, 1955:

Right-to-work laws do not purport to create new rights but only to protect fundamental rights from invasion through imposition of compulsory unionism as a condition of employment. They do not directly create any jobs, but by helping to keep the economy free and by keeping opportunities open, they inevitably in the long run lead to more and more chances for employment. . . .

The freedom of association springs from the liberty of the individual to order his life as he sees fit, to choose where he will work, and what, if any, church, political party, fraternity, lodge, society,

league, club or other private organization he will join. . . .

The right not to join is a necessary corollary of the right to join, for without a right not to join there can be no such thing as a right to join. Freedom rests on choice, and where choice is denied freedom is destroyed as well. . . .

The first ten amendments and the Fourteenth Amendment to the federal Constitution do not apply to purely private action but instead serve only to check assertions of governmental power. But labor relations are so regulated by law today that compulsory union membership is ordinarily possible only

by governmental permission, and it is usually imposed by union leaders using as a weapon the great complex of powers placed in their hands by modern labor law. To suppose that agreements for compulsory union membership made under these conditions represent purely private action is to substitute fiction for reality. . . .

Forced payments are equivalent to taxes. Taxation is a sovereign power and may be exercised by the government only, and not by a labor union or any other type of private association. . . .

It has been truly said that the benefits employees get from a union can be overestimated just as they can be underestimated. No informed person would suppose for instance that the increase of wages in this country between 1935 and 1954 came about altogether by virtue of union activity. Wages and standards of living increased markedly after 1870 even in periods where unions exerted very little influence. Surely a large part of the credit must go to scientific research, new inventions, labor saving machinery, and better managerial techniques — to mention a few of the other factors resulting in greater productivity of the goods and services we enjoy in such great abundance. If labor unions were the dominating factors in creating

these benefits then we might well ask why England, France, and other European countries, where labor unions experienced earlier or more powerful development, do not exceed us in material wealth. . . .

Finally, compulsory unionism presents a new version of an age-old issue — the issue of freedom versus organization, the liberty of the individual versus the power of the group. Here, as in every other instance through the centuries, an attempt is being made to justify the deprivation of individual liberty on the grounds that it is in the best interests of everyone, including those whose rights are being curtailed or taken away. But in this case, as in so many others, the reasons advanced are insufficient. They are here lacking in the weight necessary to overcome the value which our American heritage, our Declaration of Independence, our Bill of Rights, and our Constitution, placed upon the worth of the individual and the importance of allowing him the widest possible freedom of choice.

When the considerations favoring complete freedom for the individual to determine for himself without coercion whether or not to join a union are weighed against those asserted on the other side, the balance is inescapably in favor of individual rights.

The Social Security Tax

Clarence E. Manion

THE PROMOTERS of the great social security deception never advertised it to the people as a slick, easily collectible form of constantly increasing taxation. Nevertheless, when the original Federal Social Security Act was passed upon by the United States Supreme Court in 1937, it was validated by that Court *merely as an exercise of the Constitutional taxing power of Congress for the benefit of the general fund of the United States Treasury*. In substance, the Supreme Court held that if and when the government needs money, Congress can tax payments and earnings of employers and employees in the same way that it can tax a bottle of whiskey or a ticket to the ball game.

Having thus raised the money, the Supreme Court said that Congress could, in its future discretion, spend that money for whatever Congress then judged to be the general welfare of the country. The Court held that Congress has no constitutional power to earmark or segregate certain kinds of tax proceeds for certain purposes, whether the purposes be farm-price

supports, foreign aid or social security payments.*

All federal taxes, income taxes, estate taxes, gasoline taxes, and social security taxes, go indiscriminately into the same general fund of the federal treasury. From that general fund, Congress makes periodic appropriations for all the purposes of the federal government, including payments for social security benefits.

Congress could continue to collect the so-called social security pay roll taxes even though Congress discontinued all social security benefit payments. Congress could wipe out the social security pay roll taxes and yet continue to pay all present social security benefits out of the general tax receipts of the federal treasury.

ANY APPARENT connection between the collection of social security pay roll taxes and the payment of social security benefits is purely coincidental. The Supreme Court has held that Congress is without Constitutional power to establish such a connection. For

*U.S. vs. Butler, 297 U.S. 1; Stewart Machine Company vs. Davis, 301 U.S. 548; Helvering vs. Davis, 301 U.S. 619.

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this reason, the so-called Federal Old Age and Survivors' Insurance Reserve Fund is actually nonexistent. The legal illusion of such a fund was conjured up to dissolve popular resistance to one of the most cruel and unjust systems of taxation ever imposed upon the American people.

The fraud of the great deception is the deliberate and official misrepresentation of social security *taxes* as payments of insurance premiums for the right to get back specified benefits at a specified time. There is no such right. The government is under no contractual obligation to make any return payment at all. From the very beginning, the Social Security Tax Act has carried this provision: "*The right to alter, amend, or repeal any provision of this act is hereby reserved to the Congress.*"

Pursuant to that reservation, Congress has revamped and changed the taxes, benefits, and the coverage of social security many times during the past 15 years. When the Act was first passed in 1935, it expressly exempted nine separate classifications of people ranging from agricultural labor to the self-employed. One after another, each of these exempted classifications has been forced into the system until under the current pending resolution, only medical doctors are left out.

The original tax rate was 1% on the first \$3,000 of earnings. Under the pending resolution, the present tax is raised to 2½%, or 25% above the present level. Since both employer and employee must pay this tax, this means that 5% of every pay check under \$4,200 a year will be funneled into the federal treasury. The next step will be to increase both the tax and the level of salaries taxed to include the first five thousand and then the first six thousand of annual earnings.

THERE IS no limit to the high range of this money-raising escalator except the complete confiscation of all salaries by the government.

Meanwhile, the popular illusion of a Federal Old Age and Retirement Insurance system enables the federal spenders to roll up billions of dollars in additional tax revenues through social security wage withholding that they never could collect if they called these extortionate taxes by their right name. Through 1950 to the beginning of 1955, the federal government collected \$18.97 billion in social security taxes. Throughout the same period, the government paid out social security benefits totaling \$11.72 billion.

What happened to the difference, the "profit" so-called, of \$7.25 bil-

lion? It was spent as fast as it came in for foreign aid, national defense, and other current expenses of the government. What was put aside for the ultimate retirement of those who paid the \$18.97 billion in taxes between 1950 and 1955? Merely \$7.25 billion worth of government I.O.U.'s.

At the end of last March the much advertised reserve fund contained \$20.4 billion — *all in government I.O.U.'s*. This accumulation is not an asset. On the contrary, it costs current taxpayers \$500 million annually in maintenance or interest charges. Eventually all these bonds must be paid by *additional taxation*.

Testifying before the Ways and Means Committee of the House of Representatives in 1952, the chief actuary of the Social Security Administration said: "The present

trust fund is not quite large enough to pay off the benefits of existing beneficiaries"—those already on the receiving end, in other words. This was before the 1954 "liberalized coverage" was enacted into law. The same witness now believes that it would take \$35 billion just to pay the people *now receiving benefits*.

If you are *paying* social security taxes *now*, there is thus \$15 billion *less than nothing in the fund that you are supposed to be accumulating against your retirement and old age*. Small wonder that the Secretary of the Treasury recently testified that "under the present provisions of collections and disbursement the Old Age Survivor's Insurance system is actuarially unsound."* That is the great understatement of the current fiscal year.

**Congressional Record*, July 5, 1955, page A 4871.

This is an extract from the *Manion Forum of Opinion* broadcast of July 24, 1955.

Washington, May 26, 1955

Seven Amish bishops appealed to Congress today to exempt members of their church from receiving any benefits of the Social Security program. They are willing to continue paying Social Security taxes, however. . . . The bishops made it clear that no elder of the church would think, today, of applying for Social Security or any other government benefits. They want the law changed, they said, to "remove temptation" from their children and grandchildren.

HERALD-TRIBUNE NEWS SERVICE

Roots Of Economic Understanding

F. A. Harper

THE GAME of economics in the United States is something like a ball game where the home team fails to score. The record shows a lack of economic understanding. Despite the abundance of material splendor parading before us in the show of ostentatious consumption, we seem to be losing most of our games in terms of economic principles.

The human weakness for watching false economic scoreboards reminds me of an astute observation by a man who was reviewing the state of affairs in the nation he governed. He said to a subordinate:

"It gives us also a special, secret pleasure to see how the people about us are unaware of what is really happening to them. They gaze fascinated at one or two familiar superficialities, such as possessions and income and rank and other outworn conceptions. As long as these are kept intact, they are quite satisfied. But in the meantime they have entered a new relation; a powerful social force has caught them up. They themselves are changed. What are ownership and income to that? Why need we trouble to socialize banks and factories? We socialize human beings."¹

Was he right? Are people fooled that easily?

The man who made that statement apparently knew well the game of attaining personal power by playing on the weaknesses of human ignorance. He was Adolf Hitler, and he was speaking to Hermann Rauschning in 1934. The tragedy that befell the German people and later engulfed much of the rest of the world attests to the consequences of economic ignorance. It illustrates how the fruits of welfare will surely be lost when Mammon is worshipped to the exclusion of economic and moral principles. For Mammon — grasping for material welfare by any means — is a tricky idol. If given a dominant role, it will rule conduct to the exclusion of morals.

ECONOMICS has been defined as the dismal science, and most people avoid its study if possible. Yet it is something which touches the life of each of us, closely and continuously. In fact, we become so involved in economic affairs at so early an age that we come to take it for granted like the air we breathe and the ground we walk on.

¹For this and subsequent footnotes see page 34.

Dr. Harper is a member of the staff of the Foundation for Economic Education.

One is reminded in this respect of the history of the development in other spheres of human interest. From the time human life began, air and ground were here more or less as they are now. Our distant ancestors took them for granted just as most people do economics. Not until the discovery of elements in chemistry and of laws of the physical universe did matter come to be thought of consciously and meaningfully. Only then did principles evolve that were worth studying. Only then did our physical environment come to have a useful meaning unknown to our earlier ancestors. Before that, chemicals were just something to stand on, swim in, or for filling one's lungs.

So it is with economics. We could go on, after a fashion, swimming around in economic ignorance as the cave man did with the chemicals. Or economics could be raised to the level of a science and comprehended in terms of cause and consequence. This would put meaning into our daily affairs and afford us the protection of understanding in our hazardous economic existence. From the dismal science for the few, economics could become the common knowledge of the many.

Though I am not now trying to outline the content of economics in detail it seems necessary to pinpoint to some extent what we mean by economic understanding. What

is this thing we need to offer educationally? What is economics?

The study of economics is the study of all matters pertaining to things that are desired but scarce, which exist for trade or can be produced. Those are the things we sometimes speak of as "economic goods and services." Those are the things which comprise economic activity in its entirety, which are being produced and owned and traded.

A THING must first be desired before it comes within the orbit of economics. You can't sell the measles, for instance. If it is to be economic, somebody must want it. Without want for it, nobody would work to produce it or sacrifice to buy it. And even if it already existed in nature—obtainable merely for the asking—without requiring any work to produce it, nobody would care enough to own it. Since nobody would care to own it, there would be no buying and selling of it—no exchange. No economics.

To be within the economic domain a thing must also be scarce. Otherwise, if one can have all he wants without turning his hand to get it, it is not worth even a scrap of paper to represent one's title to it even though people want it strongly. So without scarcity there will be neither ownership nor exchange of it at any price. The air

we breathe as an essential to life, for instance, is not usually scarce enough to command a price.

So unless a thing is both desired and scarce, no bargain basement is low enough to attract any customers. But there is a third feature, too, that is required of things before they are economic. A thing may be both scarce and desired, yet not enter into these economic processes. Faith, dreams, and imagination often focus on things which are difficult to put in a form that can be traded. Heaven, for instance, is not listed for sale — as such — in the mail order catalogs.

So measles and fresh air and heaven are not generally for sale over the counters, yet the reasons for their absence differ. Each of them has certain qualities requisite to economic things — each is desired, or scarce, or producible and available for trade — but not every requisite is present. Lack of any one of the three keeps an item out of the economic arena of human affairs.

EVEN IN INFANCY the child is a budding economist. We do not know precisely when he first ponders problems of value and distribution, and the law of diminishing returns. Probably the age when this first appears varies widely from child to child. But I suspect there is economic consciousness in

most of them at a very young age, and long before we as parents realize that it is there. Some child psychologists assert, for instance, that when the infant clings to his bottle of milk, he is asserting a rudimentary sense of economic perception — a consciousness of something which is desired by him and also scarce.

I wonder, in fact, if an economic sense doesn't really arise before the infant treats his bottle of milk as something desired and scarce. I wonder if the beginnings of economic consciousness may not be at the time when the child first attains his vague sense of the self-conscious. For if we apply the economic test, self-consciousness itself seems to qualify as a matter of economic consciousness. Let me explain why I think so in terms of the three tests of economic affairs already listed.

Are you desired? You certainly are. You are desired by yourself to whatever extent you have any pride and conscience. And, in addition, you are desired by others — by your family and your friends — for both economic and other reasons.

Are you scarce? Exceedingly so. There is only one of you, and there can never be any more. In the sense of being reproducible by exact duplicate, you are as scarce as the Hope diamond.²

Are you exchangeable or capable of being traded? Yes. In our society, of course, we do not allow one person to own or to buy or sell another. But the person who owns himself as a free man may offer to serve another; he may offer his time and effort in exchange for a wage. Or, instead of offering his services for hire, a person may work for himself and offer for sale whatever he has produced.

So in making yourself available for trade in the form of little pieces of your time, your effort and your life, the third and final requirement that marks you as an item of economic concern has been fulfilled. You are not only desired and scarce, but you are capable of being traded as well. The difference between you and a bushel of wheat in this respect is that you own yourself and control your own sale whereas the wheat does not. And this difference has to do only with *how* you are involved in economic matters, not whether you are involved in them.

That is why it seems to me that the most elemental form of economic consciousness originates in the remote recesses of early life when one first becomes self-conscious. This must be at a very tender age. Psychologists tell us that the first vocal effusions of the baby, which keep his parents awake at night and disturb the peaceful

quietude of the community, is in part an expression of self-consciousness as he loudly proclaims in his own way: "Here I am." From some such beginning, he will go on to increase in economic consciousness until finally it takes on quite tangible forms in his mind and life.

WHEN A BABY clings to his bottle of milk, he is evidencing a sense of possession more advanced than that of mere self-consciousness. He has then taken another important step in economic comprehension. Something specific other than himself has become desired and scarce. And only by realizing this is he ready to begin to act wisely from an economic standpoint.

This sense of worth as applied to overt economic objects appears in strange ways at first. The infant may scramble to retain possession of a toy. It may be only some old can or perhaps some crude block of wood that fell from father's carpentry. But he wants it. And in laboring to retain possession of something he deems to be his, he is acting like the farmer who will labor to protect a bushel of potatoes he has grown. Oldsters may ridicule his selection and scorn his judgment of value, but they should not scorn the child's growing sense of valuation because it is a necessary early step in this budding economist.

This new sense of possession should be nurtured while the infant is advancing in economic understanding beyond his earlier elemental sense of self-consciousness. If you quell it by economic diseducation, such as by grasping away from him things that are his to appease his squealing brother, you will be in my opinion be preparing the little hopeful for blind devotion to communist-socialist doctrine — or perhaps to some other brand of Jekyll-Hydeism which will cause him to live in hopeless economic frustration.

Then, a little later in the child's life he comes to acquire a sense of exchange. This sense of exchange can come to him only after he has first acquired the sense of possession. Things to be exchanged must obviously first be had. They must first be possessed before they can be traded. So the sense of exchange follows the sense of possession — the private property concept.

As a child develops his desires, he expands from his bottle of milk or an old can or a block of wood toward caviar and fancy cars and yachts. His sense of possession expands, in other words, as his taste and desires expand. He also grows in strength and dexterity with which to get things in one way or another.

If this expanding urge to possess things, together with increasing

strength and cunning to acquire them, is devoted exclusively to a sense of possession with no consideration for the rights of others, the young hopeful will become the lowest form of thief. Such a person will have acquired a sense of grasping but not a sense of exchange, because he lacks restraint. He will be bent on scheming to grasp everything he can, by any means whatsoever. He will devote himself to the theft of whatever strikes his fancy, which totally disqualifies him for participation in an exchange society. He is then a representative of the ultimate in economic illiteracy as well as the worst in moral turpitude. Such a person will have become a master at breaking the commandments, as one can see by thinking of them in the light of an unrestrained sense of possession.³

The Jesse Jameses? The Al Capones? The Dillingers? Did they have a sense of possession? Most assuredly they did. But they evidenced little sense of restraint. Theirs was an arrested sense of possession which turned them into moral corpses plying their trade of plunder. We would have to grade them low in economic understanding, because they had only the rudimentary disposition to possess things, without the sense of restraint which must underlie the idea of exchange.

THE SENSE of restraint which the chronic thief lacks is founded in the right to own things — the right of ownership, of private property. There is far more to the sense of ownership than the mere disposition to possess things. This economic sense of rights to private property, which leads to restraint from theft, is clearly a moral concept in harmony with the eighth commandment, among others. You would not steal except as you covet what belongs to another — unless you refuse to recognize it as his private property.

Back of the belief in private property, in turn, lies the concept of personal freedom. You can have private property only as you are free — free to work, free to produce, free to keep whatever you have produced. Without freedom there could be no private property at all.

And so we have completed the economic circle of logic, beginning with a sense of self and ending in private property. The infant's sense of self-consciousness can be traced onward to private property rights and exchange — to freedom itself — as concepts which underlie and pervade both economics and morals.

AT THE OUTSET it was said that in the United States the scoreboard showed a serious lack of economic

understanding. Why? These are tests that may be used:

1. To what extent is a person free to use his own life and time in whatever pursuits he may choose, so long as in doing so he does not trespass upon the same right of each and every other person?

2. To what extent is a person free to keep whatever he has produced with his own time and effort, and to use it or dispose of it in whatever way and whenever he wishes, so long as in its disposition he does not infringe upon the same rights of others?

It should be clear from these tests why I reject figures on national income per person, or the number of chickens in dinner pots, or the number of fancy cars on the road as valid evidence for the economic scoreboard. These are merely illusions of economic victory. They are pleasant fruits that grow best on a sound economic tree, to be sure; but the yield of those things may be high for a time after the tree has become infected with a mortal disease.

By these tests the home team has been losing since the turn of the century. Less and less of a person's time is truly his own. Ever smaller is the portion he may use as he chooses, in ways that do not infringe upon the same rights of others. If you are an average person in the United States, for in-

stance, you have to work from New Year's Day until late in April before you have satisfied the prior tax claims upon your productive effort — taxes that are taken from you by force and applied to uses of which you may or may not approve. Furthermore, your period of servitude probably is extended in that you pay tribute in one way or another to some nongovernmental persons or organizations in ways which a thoroughly free society would not countenance. Only thereafter, for the remainder of the year, are you free to work for yourself.

We are losing the economic game because a third of your income each year, if you are an average person, is taken from you in this manner. Some is taken direct from your employer, who takes it out of your pay before it ever gets into your hands. Some is taken in the form of a tax on manufacturers or distributors, and is part of the purchase price you pay for things you buy. Some is taken in the form of direct taxes, which are billed to you personally as an attachment on your income or your property. Some is taken from you posthumously as the hearse moves down the street, in the form of a bill sent to your widow and children. The third of your income taken from you in these ways is a greater proportion of the national income, mind you, than the amounts that were being taken in

1929-30 in countries which subsequently were overcome by the tragedy of authoritarian governments, in one degree or another.⁴

	Taxes as percentage of national income
USSR	29
Germany	22
France	21
United Kingdom	21

We are losing the economic game because we have increasingly adopted as the law of the land specific measures advocated by Karl Marx and his ideological successors as the means by which world communism could be established.⁵

We seem blind to these danger signals as we move about amidst so much material splendor, which is only possible because of past thrift and productive accumulations of individuals. We are blinded by economic and political ignorance in the manner Hitler explained so well to Hermann Rauschning in 1934. We are blinded by the confused intellectual leadership of "economists" who are trying to be politicians, while politicians are trying to be economists.

Lest we ignore or forget, here are a few passages from the record of history given us by Lactantius, the famous Roman professor of literature and philosophy, appointed to his chair by none other than Diocletian himself. Lactantius felt compelled to give us these facts, "lest

the memory of events so important should perish, and lest any future historian of the [Roman] persecutors should corrupt the truth."

Diocletian, an inventive criminal and a creator of evil, brought ruin to all and dared tamper even with the Divinity. In part because he was greedy, in part out of fear, he turned the whole world topsy-turvy. He brought three associates into his government, and divided up the Empire into four parts, with the result that armies were multiplied, for each of the four men tried to muster a far greater force than earlier emperors had had when they governed individually. More than that, tax collectors began to outnumber taxpayers, and, after exorbitant taxation sapped their initiative, farmers abandoned their farms and plowed fields grew up into woods. In a policy of terrorization the provinces were cut up into scraps, a multitude of governors and hordes of directors oppressed every region—almost every city; and to these were added countless collectors and secretaries and assistants to the directors. Judges seldom had civil cases before them: they tried (not frequently, but incessantly) condemnations, confiscations, and requisitions of every kind of property, and unbearable inequities in the imposition of taxes.

Even the measures designed to provide salaries for the soldiers were beyond endurance. Diocletian's boundless greed would never allow his own treasury to be tapped, so he constantly piled on new taxes and contributions in order to keep his personal hoard intact. When by his general mismanagement he caused stupendous inflation, he attempted to fix prices by law. Blood was shed over common, cheap articles, panic caused

shortages in the market, and the net result was that the scarcity was worsened. . . .

He became a raving lunatic in his efforts to make Nicomedia the rival of imperial Rome. I shall not state here how many perished for the sake of their estates or their wealth (for this practice had become common and indeed practically legal), but he made a special point of it in that no matter where he saw a farm more carefully kept or a house more elegantly furnished than usual, he immediately brought charges against the owner and inflicted the death sentence—it seemed as if he could not steal his neighbor's property without also taking his life.⁶

WHEN CAN WE begin to teach economics to the young? And how? Without attempting to go into that here, I might cite two incidents to suggest the solution as I see it:

In the eastern university where I taught years ago, our graduate seminar invited outside speakers. One day I invited a renowned economist, the editor of a learned journal. We had agreed that he would try to instill an enthusiasm for economic theory into those graduate students of an applied area of economics by giving us evidence as to its practical usefulness. My notes of his talk attest to the fact that few of these students grasped hardly a thing of what he said, except his self-demonstrated asser-

tion that economic theory is a luxury which only the most advanced students can afford.

Then, one evening years later, while members of my family were sitting at dinner discussing something, a five-year old boy asked, out of the clear and without any apparent connection with the discussion that had been going on: "Why do we have to pay for things?"

WELL, there you have it. We are losing the game to economic ignorance year after year, while being lulled into complacency by watching false scoreboards and basking in false economic glories. Yet youngsters are itching to go out for economic spring practice, so to speak. What are we going to tell them? Are we going to say: "Wait fifteen or twenty years, Bud, and if you become an outstanding student, you may be ready to find out why we have to pay for things"? Or shall we train them in sound eco-

nomic practices from the day they are born?

It is later than we think, I fear, in this economic game. Fifteen or twenty years could bring economic and moral disaster beyond our worst fears. The records of history attest to this threat. My final admonition is that every aspiring leader review the records of history, especially as interpreted by such authorities as Liddell Hart on learning from history,⁷ Lord Acton on the history of freedom,⁸ Draper on the background for European culture,⁹ Weaver on some high spots of history,¹⁰ Mees on the helix of history,¹¹ Burckhardt on the ancient Grecian civilization and later comparisons,¹² and Hayek on more contemporary debacles from economic ignorance.¹³ From these and other excellent sources one can come to see clearly what lies at the end of the road of economic ignorance on which we have been traveling here in the United States.

⁷Rauschnig, Hermann. *The Voice of Destruction*. New York: G. P. Putnam's Sons, 1940. pp. 192-93.

⁸Williams, Roger J. *Free and Unequal*. Austin, Texas: University of Texas Press, 1953.

⁹Exodus 20.

¹⁰Harper, F. A. *Liberty: A Path to Its Recovery*. Irvington-on-Hudson, N. Y.: Foundation for Economic Education, 1949. p. 110.

¹¹*Essays on Liberty*, Volumes I and II. Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1952 & 1954. "The Communist Idea," Vol. I, pp. 96-99; "To Communism via Majority Vote" by Ben Moreell, Vol. II, pp. 218-248.

¹²Translated by Professor Casper J. Kraemer, Jr. from Lactantius' "On the Death of the Persecutors."

¹³Liddell Hart, B. H. *Why Don't We Learn from History?* London: G. Allen & Unwin, Ltd., 1944.

⁸Acton, J. E. E. D. *The History of Freedom and Other Essays*. London: Macmillan and Company, Ltd., 1907.

⁹Draper, John William. *A History of the Intellectual Development of Europe*. New York and London: Harper & Brothers, 1904.

¹⁰Weaver, Henry Grady. *Mainspring*. Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1953.

¹¹Mees, C. E. K. *The Path of Science*. New York: John Wiley & Sons, Inc.; London: Chapman & Hall, Ltd., 1946.

¹²Burckhardt, Jakob Christoph. *Force and Freedom*. New York: Pantheon Books, Inc., 1943.

¹³Hayek, Friedrich August. *Road to Serfdom*. Chicago: University of Chicago Press, 1944.

In Defense Of The Individual

Edmund A. Opitz

THE AUTHOR, for nine years a parish minister, formerly directed the conference program for Spiritual Mobilization, and in that capacity held a number of two-day seminars for clergymen and laymen designed to promote a better understanding of the libertarian philosophy. Similar questions recurred at many of these conferences, and experience suggested ways of clearing up certain persistent misunderstandings. The following dialogue is a reconstruction of many conversations. Mr. Opitz is now a member of the staff of the Foundation for Economic Education.

A: From what I have heard of your philosophy, it represents a position of extreme individualism. I disagree with that position; I doubt that the individual has any right to ignore society or other people. I take my stand with the injunction of the Apostle Paul in his letter to the Ephesians, "We are members one of another."

B: I will try to tell you something of our position, and then you can decide whether it represents what you would label "extreme individualism." A word like individualism is not easy to define. It is, in fact, another of those turncoat words whose meaning has become completely inverted. You seem to speak of individualism as a doctrine which presses a man to ignore society. Is that your understanding?

A: That is approximately correct. An individualist is one who insists upon living his own life in his own way; he feels no obligation to help another person, and he tells the rest of the world to go hang.

B: You have laid several ideas on the table as descriptive of the individualist or individualism. I am not sure that they are consistent with one another. Taking them in order, you mentioned first the right to ignore society or other people.

A: Isn't that part of the creed of individualism?

B: It is part of the creed of all free men! It is conceivable, but certainly most uncommon, for a man to want to withdraw from human-

kind and live by himself. In the history of Christianity there are several familiar examples, from the eremites of the Egyptian desert to what might be called communities of solitaries like the modern Carthusians. And there are occasional secular hermits who take themselves off to the woods for private reasons difficult for the rest of us to fathom. If you declare that a man does not have a right to do this — that he has no right to ignore society — then you must believe that those of us who constitute society have a right to use coercion on this reluctant individual to force him to stay. Do you believe that a person who wants to choose other company than ours, as in the case of Thoreau at Walden, should be treated like a soldier A.W.O.L., pursued, brought back in irons, locked up, tried for his defection?

A: No, I didn't mean quite that.

B: But if a man doesn't have a right to ignore society, the ineluctable corollary is that society must enforce its right to frustrate any effort on his part to ignore society.

A: My words were not well chosen. I certainly don't want to be in the position of comparing society to an army in which men are to be held by force if they have a desire

to withdraw. I would aim to encourage men to recognize their obligations to other men.

B: Well, that is quite a different matter. Using coercion to force a man to associate with people raises problems of one kind; using persuasion to help a person perceive his obligations to other people raises issues of another kind. Even when using persuasion one ought not invade another's privacy, but rather ought to respect every man's right to choose his friends, his church, his club, the persons he will admit into his home, the people he will permit to use his machines and premises if he owns a factory, the teachers he selects to educate his children, the doctor he selects when he is ill, and so on. A man is entitled to live the life of his own choosing in accord with his own will and conscience. But he has no right to live at the expense of any other person.

A: That is about what I had in mind; individualism is the doctrine that some men have a right, if it suits their purposes, to live at the expense of others.

B: If that is the common understanding of individualism today, then the word, like liberalism, has undergone a complete change. Individualism once meant the phi-

losophy that each person, regardless of race, creed, or education, has the right to follow the promptings of his own conscience provided only that he allows every other person this same right. This is close to the second definition you offered, "An individualist is one who insists upon living his own life in his own way." But that definition leaves off the important proviso that all other persons be granted the same right.

A: That qualifying clause throws a different light on the matter.

B: Indeed it does. We honor men who have chosen to obey the dictates of their conscience rather than the customary ways of their contemporaries, when they were forced to choose one or the other. To quote St. Peter's words, "We ought to obey God rather than men." Martin Luther said, "No man can command my conscience." When a man is led to conclude that the promptings of his conscience are a closer approximation to the voice of God than the moral maxims of his fellows, then most of us would agree that he ought to follow his own conscience; and this means living his own life in his own way.

But this is completely dissociated from the rest of your definition. A man may both live his own

life and feel a strong obligation to help other people. Not only do some men feel these as compatible obligations, but also they feel them as the same obligation having two phases.

A: Perhaps individualism is the wrong label for what I have in mind. As you define it, the philosophy of individualism doesn't sound bad. I like the idea of every man following his own conscience provided he allows every other man the same right. But even this does not seem to stress sufficiently the social aspect of the person. I think that people fulfill themselves in society, and that you, with your stress on limited government and your analysis of political action, fail to stress the importance of social life.

B: If we do fail to *stress* the importance of social life, it is not because we fail to *recognize* the importance of social life. The limitation of government is not an end in itself; it is the means to an end, and the end is the enrichment of the personal and social life of people. Limiting the scope of government extends the scope of society and enlarges the sphere of creative activity. You remarked that persons find fulfillment in society, and I think your observation a true one. Even those who choose in ma-

turity to be hermits take with them into their solitude the social heritage that has rubbed off on them from their family and community. Society is the seedbed of persons; the person emerges from society as its fulfillment and perfection. Society, then, is a means; the person is the end.

A: You seem to imply that if human beings would only limit government, then the automatic result would be a civilized society with supermen emerging from it. I exaggerate a bit, but would you clarify for me?

B: Limit government among the Andaman Islanders and you won't produce a Dante, a Bach or a saint, not in the present generation, at any rate. What the future holds, no man can say. The quality of personal and social skills which people are able to bring to an association determines the level which individual and social living can reach. The mere limiting of government does not produce skills out of a vacuum immediately. But whatever the potential in people, they will do better with what they have if artificial impediments are not put in their way.

Even among people like ourselves of the West, with a rich social heritage and a comparatively high level of civilization, there is no

escalator carrying us to heights of personal fulfillment. In religious literature, what is called redemption, salvation, or being born again is not an automatic accomplishment; it is something that requires unremitting effort on the part of the individual.

These are matters of primary concern for churchmen and religionists, and some of them are handling these matters very competently. Also, in our time, psychologists are concerning themselves with personal and social problems that pertain to this area. But in spite of the expert ministrations of these people we observe anti-social behavior on the increase, together with widespread social dislocations. Surely one way to reverse this trend is through improved understanding of a philosophy which would keep government, that is, legal violence or threat of violence, limited to its proper function. It is the intrusion of legal violence into areas of society where government has no place which has already blighted some of our social skills and placed arbitrary restraints on others.

A: Before we go further, I should like to have you say something about the earmarks of a properly limited government. What are the minimum functions of government in your view?

B: I can give you an answer in a few words: Government is society's agent of coercion, and its proper function is to defend each person's life, his liberty, and his property. I believe this brief answer is accurate; but the understanding of it, like the understanding of a chemical formula, requires a bit of doing. This answer and your question have innumerable implications, and the exploration of these implications is what true political theory is all about.

A: I can see that there would be a number of implications, but I don't want to wander too far afield from the interest that prompted this particular conversation. You will recall that I was bothered by what I regard as your extreme individualism. I may have to amend that somewhat because you seem to share a concern for the enrichment of life in society, or social life as I like to call it. But in what you have just said about government, it seems to me that you have a completely nonsocial conception of government. You would limit government to the defense of the individual; I don't see why government cannot be used in a positive way to accomplish social goals. I was much impressed by what a certain theologian said on this score. He said that the Christian should rejoice "that by the mecha-

nism of government he can feed the hungry, clothe the naked, and love his brethren in practical ways." That seems to me like the practical application of Christianity to the social order.

B: I am not sure how Christian that idea is, nor how practical either, for that matter. No one can exercise another's personal responsibility for him; and it is difficult to twist Jesus' words, "Inasmuch as ye did it unto the least of these, my brethren, ye did it unto me," into the idea that men should erect an elaborate political mechanism to absolve themselves from the obligation that rests on each man to love his neighbor. As to the practicality of the idea that government can guarantee security by promising a minimum of food, clothing, and shelter — consider the fact that government on its own has no food, clothing, or shelter to dispense. Government cannot give anything to anyone without first depriving someone else of what is rightfully his.

A: The particular passage you cite from the Gospels seems to stress personal responsibility, and you could undoubtedly find many other texts which reinforce that idea. But, after all, Paul was closer to the picture than we are, and he said, "We are members one of another."

B: Do you regard this observation of Paul as a general truth about mankind, or did it apply specifically to the early churches? It is certainly true that these early Christian communities were bound together by a common loyalty to Christ.

A: I think the observation, "We are members one of another," applied to the early church; but it also contains a larger truth. It has an application to the general condition of all mankind.

B: I too think that this observation applies to the human situation. Men do have a genuinely social aspect. But men also have two other aspects: the personal and the antisocial. There are certain aspects about each one of us that are undeniably individual. No one can assimilate our food for us, or circulate our blood. No one can think, or will, or believe for us. In each of us is a private self, an individual soul. One of the great practitioners of the inner life has told us, "To mount to God is to enter into oneself. For he who so mounts and enters and goes beyond himself, he truly mounts up to God." There are certain things that no one can do for us but ourselves. But we are not encapsulated monads which develop in a shell insulated from social contacts. We

are born into a family and a community. An immense social heritage is put at our disposal — a storehouse into which has been distilled the contributions of an enormous number of individual men and women, some famous and some nameless. Knowledge, wisdom, skills, and some of the very thought-forms by which we may avail ourselves of this treasure are handed down to us. The problem here is not analogous to rationing a given quantity of goods to a certain number of people; it is analogous to keeping a conduit open so that the spiritual accumulations of previous generations can flow unimpeded, to be enriched through understanding and application by this generation and passed on to those to come. Diminution of political liberty is comparable to the silting up of the conduit; freedom is the removal of obstructions to the flow of energy.

And we are social creatures in another respect. Other people are the most marvelous things in creation; we associate with them for our delight, for our instruction, for our entertainment, for our pleasure. Our minds are kindled by the minds of our friends, and we in turn kindle their minds and the minds of men we do not know. We take heart when others encourage us, and we are depressed by their censure. Even though we are suf-

ficiently individual to go it alone if our conscience demands it, nevertheless it is our nature to want to link arms in fellowship and friendship. There is nothing in mathematics to express the difference between one lonely individual — and two persons yoked together by a common loyalty. G. K. Chesterton has expressed this point well. Writing of one of his characters he said, "Through all his ordeal his root horror had been isolation, and there are no words to express the abyss between isolation and having one ally. It may be conceded to the mathematicians that four is twice two. But two is not twice one; two is two thousand times one."

The picture is not complete, however, if we mention only the private and the social aspects of personality. Each of us has an antisocial streak; which most of us can curb most of the time. The devilish thing is that some expressions of our antisocial nature have always enjoyed social approval and still do! One facet of our antisocial nature is our urge to gain a politically privileged position for ourselves at the expense of others, and then to cloak this in impressive legal forms and bolster it with religion, custom, and tradition. There is a tendency in each of us to economize our energy, to satisfy our needs and desires with a minimum of effort. This means, all too often,

that we satisfy our needs and desires as parasites on the rest of society. So strong is this tendency that it corrupts and perverts even our noblest ideals.

We embrace the idea of freedom, and twist it to mean the freedom of some to exploit others. We give lip service to the idea of equality, and act as if some men were more equal than others. We speak favorably of justice, and then write injustice into law. We embrace a religion which says that no man is beyond the reach of God's love and power, and then institutionalize it to prove that we are close enough to God so that we can play God for those who are further away.

This may seem like a sermon far removed from a consideration of the nature of the mechanism of government. But as Irving Babbitt has pointed out, "The political problem (will run) into the philosophical problem, and the philosophical problem itself (will) be almost indissolubly bound up at last with the religious problem." We have to come to some understanding of what man is before we can grapple with the question of the place the political agency, government, should occupy in his affairs.

We are social; we *are* members one of another. If this be so, it follows that we don't have to be coerced into being social.

A: I can follow you there; we don't have to be forced to be what we are anyway.

B: But a short while back you were advocating that government be used in a positive way to accomplish social goals. This rests upon a premise that man is not social, that he would not accomplish social goals without the coercive interventions of government to force him through his paces. In fact, the premise of every variety of collectivism, whether it be socialism, communism, welfare statism, or the Social Gospel, is that man's nature deters him from social performance unless violence or the threat of violence, cloaked in legality, be used on him. The premise is that man is asocial or even anti-social, and that he must be nagged and dragooned into acting socially.

I would concede that freedom won't usher in Utopia, because man's social achievements are limited by his nature. He is a sinner, and he is always tempted to deny his finiteness in the effort to rule over the lives of other people. But, I might ask, if we are members one of another, how can some members arrogate to themselves the prerogative of riding herd on other members?

A: For the moment, at least, until I have time to think up some

arguments I can see some defects in the idea that government is the proper agency to use for the accomplishment of social ends. But what, then, is the proper role of government?

B: If men are naturally social as well as individual, their ingenuity and creative energies will lead them into forms of association where they hope to find joy and fulfillment — as well as into those associations which enable them to satisfy their creaturely needs, peaceably, by the smallest expenditure of energy. Government is the social apparatus of coercion. It is basically the agency to which we provisionally grant the right to use coercion on members of society under specified conditions.

A: If by coercion you mean actual physical violence or the threat of violence, do you admit the need of a social agency with the right to use coercion?

B: The answer is yes to both questions. Because all or nearly all persons have an antisocial streak which in some people issues in overt antisocial behavior, such as murder, theft, fraud, and defamation, we need an agency to cope with this aspect of human nature. We have seen that we cannot make men social by force; they are so-

cial by nature. But where the anti-social side of man breaks out in actual violence directed by one member of society against another, then we need a social agency possessed of enough force to neutralize or cancel out the private violence. This agency, performing its proper functions, acts as a curb to frustrate antisocial, aggressive, invasive, criminal acts. It restrains the aggressor by force, if other means do not avail; and it gives redress to the victims of aggression.

A: As I get the picture, individuals will take care of their personal and social needs by themselves or together and the government will keep hands off entirely. The need for the agency of government rests upon the fact that there is an anti-social side to human nature. Government functions within its proper sphere by curbing anti-social behavior. Do I follow your thought?

B: Correct! That is what is meant by limited government. I might add that curbing antisocial behavior is likely to be a full-time job for a good many generations to come, and that it is an exceedingly complex job. It is not always easy to tell who is the aggressor and who the innocent victim, but experience has deposited a great

body of law to render assistance at this point.

A: Then limited government is designed to defend the individual, and otherwise let him alone.

B: Correct again! I would have you note that the concept of limited government rests upon the premise that the individual, every individual, is worth defending. It is a secondary concept, derived from the primary religious concept of the dignity of the person. The concept of the worth of persons is, at least for us in the West, a heritage of Christianity, stemming from the teaching of Jesus. To reinforce the general understanding about Jesus and true individualism, let me quote from the latest book of one of the greatest contemporary Christian scholars, Kenneth Scott LaTourette, "Although Jesus had much to say of the kingdom of God, and in that must have meant, if not a visible social structure, at least the relations of men to one another, he was deeply and primarily interested in individuals and saw society, customs, and institutions only as they affected individuals. . . . He declared that he had 'come to seek and to save that which was lost,' and by that he meant individuals."

Security May Betray Us

Archibald Rutledge

I LIVE on a great river, and westward from my place, for some 60 miles, there is not a human habitation. Not far from where I live is a plantation, the owner of which is not satisfied with the size of the deer on his property. So he imported from Michigan a huge security-reared stag. This buck was kept for some time in an enclosure on the plantation, inside a 7½-foot wire fence. It was in the autumn, the mating season of the deer. A native buck from the man's own place jumped that wire fence at night, killed the great stag more than twice his size, and, once more leaping the fence, escaped into the wilds again.

When wild creatures are given the artificial security of parks, zoos, and circuses, they never fail to deteriorate — certainly in a physical way, and, in a sense, in a moral way as well. They become soft, careless, dull-witted, degenerate. All the incentive for them to achieve and to maintain physical perfection and mental alertness has been withdrawn. They have been made to pay a fearful price for their safety.

IN HUMAN LIFE, a review of the lives of most men of real eminence reveals that they had to overcome the obstacles and perils of insecurity. But for these insecurities, they probably would have remained mediocre. The greatest foe of attainment is *security*, which is foe to the constant exercise and development of courage, aspiration, and effort. Many men and women who are buds of genius never flower because they are protected from ever having to really exert themselves; they lose that vital spark.

Mr. Rutledge is the noted author, and owner of Hampton Plantation, McClellanville, South Carolina.

It would be vain to hope to find the heroes and heroines of the race on bathing beaches, in night clubs, in any of the resorts of ease and of pleasure. We always find them in life's front-line trenches, on the perilous frontiers of uncertainty.

RARELY except in affliction are we awakened to a sense of our own weakness and folly, or come to realize how little all our acquisitions can conduce to our peace of heart, which perhaps is the only real triumph in life. By some kind of negative logic, hardship, which we are accustomed universally to lament, is a blessing; and security, for which we long so ardently and strive for so unremittingly, may betray us.

Whenever I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a sure market or a sure job, I feel sorry for him too. Even helping a person to help himself may be a disservice to him; for you will probably — perhaps unconsciously — compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

I HAVE an old friend who is a cabinetmaker, a master craftsman of the ancient sort. He knows his woods. Whenever I want anything special in the way of a piece of cabinet wood, I go to him. One day I asked him for the very strongest piece of oak he had. As he gave it to me, he said, "I cut it on a bare hilltop. It has stood all the storms — alone, and without leaning on any other tree." I often think of that when considering the best person for a job, or when I hear fond parents say, "I am going to spare my child all the hardships I had to endure."

The Topsy-Turvy Tariff Tangle

W. M. Curtiss

HAD WILLIAM MCKINLEY been a visitor at the 84th Congress of the United States in 1955, and listened to the arguments for and against protective tariffs, he would have felt right at home. Sixty years ago, McKinley was a leading proponent of high protective tariffs. He had served as a congressman for nearly 20 years before he was elected President in 1896. The high tariff bill of 1890 bore his name.

In the campaign of 1896, McKinley had hoped to make his high tariff plank the main issue. However, William Jennings Bryan, with his "free silver" and "cross of gold" approach, forced the issue elsewhere.

McKinley's stock in trade in advocating high tariffs was the "infant industry" argument and still today, he would find the pleaders for the "infants" as voluble as they were in his time. But something new has been added — not really new — but of considerably more importance now to the arguments for high tariffs. That is the "national defense" argument, and it has assumed colossal proportions in the debates.

More perplexing to McKinley would have been an analysis of who, among the tariff debaters in the 84th Congress, were advocating what. In his day you could count on the South to be for free trade. Hadn't the late war been fought over that issue? New England and the industrial areas could be counted on to defend protectionism.

THE POLITICAL PARTIES of the "gay nineties" were clearly split on the question. The Republicans were for high tariffs and the Democrats for free trade. But now, McKinley would find prominent southern politicians lining up against free trade. Could it be because New England textiles and other industries have moved into the South?

Time was when farmers could be counted as free traders. A large part of their production was exported. Also, they were interested in buying what manufactured goods they needed as cheaply as possible. But now, with huge stocks built up by government loans and purchases at prices above world markets, free trade has lost some

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of its appeal to the agricultural interests.

Where once you might assume the protectionists were by and large Republicans and the free-traders were Democrats, now one must look further. The party label means little except as a particular vote may be along party lines.

WHILE THE tariff issue is being debated much as it was sixty years ago, it wouldn't take McKinley long to discover that this really isn't the major issue at all in a discussion of international trade. Many new devices have been invented to restrict trade. Then, trade was carried on chiefly between individuals in the various countries. Now, much of the trading is done by governments. Now, governments manipulate trade with give-away schemes, exchange controls, quotas, import and export licenses, subsidies, most-favored-nation agreements, and other restrictive measures.

It does seem a bit futile to argue over tariffs when these other measures are the controlling factors. However, if the effects of tariffs were clearly understood, a better understanding of the various other trade restrictions might evolve because the same basic fallacies seem to underlie them all.

McKinley would have discovered that human nature hadn't changed much in the sixty years. The advo-

cates of high tariffs generally are those who think that they or their constituents will benefit by protection. The freetraders think they will benefit from low tariffs or none at all. Only rarely is a voice heard defending the principles of individual property rights and the interests of the consumer.

WHEN THE Detroit Board of Commerce made its notable statement in defense of free trade late in 1952, it was immediately charged with having a bias in favor of the automobile industry which depends in substantial part on foreign trade. Henry Ford II won considerable attention with an address, "The Free World Can't Trade on a One Way Street." However logical his arguments may have been, there were those who said: "But of course. What would you expect from a motor car manufacturer?"

The bias was by no means all on one side of the tariff issue. In October, 1953, a top executive of a large chemical company spoke on "Let's Not Import Depression." So it progressed through chemicals, watches, pottery, glass, optical instruments, cameras, textiles, gloves, and all the other industries which believe they have benefited or will benefit by protection against competition from foreign manufacturers.

As our government has grown larger and larger, it has become more and more run by pressure groups, each seeking legislation for its own special interest. The lawmakers, anxious to remain in office, keep their ears to the ground to make certain they act in such a way as to corral a majority of the votes. We rarely stop to think any more that there are some questions of such vital importance to the individual that they should never be put to the majority test.

THE DISCUSSIONS about tariffs in the 84th Congress centered around H. R. 1, the Trade Agreements Extension Act of 1955. Testimony was taken by the Ways and Means Committee of the House of Representatives and some very interesting documents resulted.

A most amazing testimony was given on January 24 by Charles H. Percy, the able young president of the Bell & Howell Company of Chicago. The Bell & Howell Company manufactures photographic products. This industry competes with skilled German workers who are paid 37 cents an hour, Italian workers who are paid 34 cents, and Japanese workers who receive only 27 cents. In contrast, American workers are paid better than \$2.00 an hour in the industry. More than twice as many cheap cameras came into the United States last year

(over a tariff wall) as were produced here.

Mr. Percy said that the photographic industry is essential to national defense and that in World War II his Company converted 100 per cent to war work, manufacturing 90 million dollars of defense products. Percy admitted at the outset that he did not represent the photographic industry — far from it. "No one desires more than I the health, vigor, and growth of the photographic industry. Yet I do not believe we must gain these things through artificial trade restrictions. I think we can, and we will, win them for ourselves in a freer and, therefore, more competitive market."

Truly, this is a man-bites-dog story — free trade testimony from a man whose natural business bias would lead him to cry out for protection.

A TYPICAL argument in defense of protection is that it keeps our standard of living at the \$2.00 level and prevents it from going to the 27 cent level of some foreign workers. It keeps wages high and prevents unemployment. Listen to Mr. Percy:

"It must be recognized that where we still use handicraft methods, we do have difficulty in competing. . . . But our present foreign trade policy cannot be tailored to

meet the needs of a handicraft industry any more than can our national economy.

"Years ago we sold a movie camera for \$49.95, the lowest priced camera we had ever made. At that time we paid our workers an average of 40 cents an hour. . . . Yet today, with our average labor cost in excess of \$2.00 an hour, we are again selling a movie camera for \$49.95. . . . The highly paid American worker has become the most efficient in the world — two to ten times as productive as his European counterpart. . . . In the final analysis, the combined effect of foreign competition and high American wage rates has been fortunate — it has forced us to find new and better ways of doing things. . . . Without the spur of foreign competition, it is doubtful whether these techniques would ever have been developed.

"My own company recognizes that foreign competition in the years ahead will become an increasingly important factor. We intend to fight it with as strong an organization as we can possibly build — with the most brilliant research and development, the most ingenious manufacturing and vigorous merchandising and service organizations we can possibly command. But we *will* adjust ourselves to the tariff policy that is best for our country. . . . I am con-

fident that we can adjust to increased foreign competition as effectively as we have adjusted to domestic competition throughout the years.

"If every company and industry were to request that our national policy be molded to fit its own interests, such action would spell ruin to our country and its citizens. We must never forget that in addition to being producers with 'special interests,' we are also consumers and taxpayers. To gradually lose our allies because they find it necessary to turn eastward to keep open their own trade lanes, to become an isolated island in a sea of communism, to find our economy crushed under an intolerable national defense burden, would serve the interests of neither group.

"America's industry did not become great by being sheltered. It achieved greatness because of the intelligence and pioneering spirit of its people. It became great through huge expenditures for research and development, new ideas in manufacturing and merchandising. It is great because it firmly believes that there is one way to succeed — to give the consumer the best possible product for best possible value. This, and this alone, will keep American industry vigorous and healthy in the years to come.

"I believe — and I believe it with

the utmost conviction, that a gradual liberalization of our foreign trade policy will help to further improve the efficiency of American industry, will increase our productivity, lower our unit costs of production and increase our standard of living. It will increase wholesale and retail trade in this country and inure to the ultimate benefit of consumers. At the same time, it will strengthen our allies, weaken our enemies and provide a greater measure of security to our country. Against the national interest what citizen can in good conscience set his special interest?

"I do believe this: there is a fallacy in saying we are competing with cheap foreign labor. Really, what we are doing is competing with the efficiency of the automotive industry and this holds true for the watch industry as well. They are really competing with Detroit and not Switzerland, because Detroit uses American labor relatively more efficiently than Elgin does, and the people of Elgin and Hamilton are good friends of mine."

MANY BUSINESSMEN have expressed concern over their inability to compete with foreign manufacturers because of "cheap foreign labor." And well they might be concerned, but not entirely because of wages. It is well known that low

unit costs and not wages make for competitive advantage.

If "cheap foreign labor" were the cause of their troubles, American manufacturers wouldn't have a ghost of a chance — and this has been the case for 150 years or more. The scales have been tipped toward our producers because of high savings resulting in high capital investment per worker, good managerial ability, and strong incentives for workers, management, and the suppliers of capital.

But is there something new in the picture that should cause concern to American industrialists? Are we losing ground in productivity or unit costs to foreign producers? And, if so, is there anything businessmen can do about it, besides clamoring for more protection?

One culprit could be high taxes. Taxes enter into unit costs just as surely as wages and raw materials. Textile, watch, and bicycle makers would find it much easier to withstand foreign competition if their unit costs were not raised by a heavy tax burden.

Another culprit could be abnormally high labor costs for whatever reasons. It may be restricted output — featherbedding — slowdown, strikes, or government-sponsored welfare programs. Whatever the reasons — and there are many possibilities — American workers can

quickly lose much of the comparative advantage they have had in high productivity compared with other nations.

TO MAKE matters worse, not only are high taxes a problem; but also a portion of these taxes has been used, through outright gifts, to make our foreign competitors better able to compete in our own markets. The old principle of comparative advantage thus becomes less important through a leveling-down process.

To say that this is a government problem and not one that businessmen can do anything about is merely evading the issues. Businessmen *can* do something about taxes and labor and give-away programs. If the United States is to maintain or regain its exalted position in productivity and trade — without fear of tariffs here or abroad — it must avoid the present trend toward artificially rising costs due to high taxes and abnormal labor costs. And incentives to efficient production must be restored.

The “infant industry” argument is not used by protectionists as widely as it was in McKinley’s time. Some would say this is because our economy has matured. Actually it always was a specious argument. Mr. Percy says: “How does one tell in advance which infant industry will grow to self-

reliant maturity? Many are given protection and grow up, but few are weaned as the theoretical argument would require.”

IN ANY INDUSTRY, protected or not, there are firms that are barely able to stay in business — even though other firms in the same industry are operated profitably. If the crutch of tariffs is removed, these marginal producers must either improve their efficiency, turn to something else, or go out of business. Is an “infant industry” any different in principle from a new firm coming into a field already established? Suppose a new firm is formed to produce automobiles. The “infant industry” argument would demand that such a firm be subsidized with the taxpayers’ money until it reaches adolescence. How much progress would our country have made under such a policy?

The favorite modern argument of the protectionists is that an adequate national defense demands the protection of home industries. We cannot afford to be dependent on foreign countries in times of war. Such are the arguments for isolationism and national self-sufficiency.

Mr. Percy had something to say in this regard:

“Recently, in a meeting called by the Department of Commerce, I

heard the head of one of our photographic optical manufacturing companies speak with a conviction that could only come from belief. He said that it takes ten years to train an optical worker and that for this reason the industry requires special tariff protection. If this is true of his company, I can only say that it is not true of all optical manufacturers. It is true that at the outbreak of World War II, we were vulnerable because of our dependence upon German optics. Bell & Howell, along with other firms, was asked by the War Production Board to produce lenses. We started with two optical workers in 1941, and by 1943 we had five hundred. We took housewives and insurance salesmen and bank clerks — and within six months we made trained optical workers of them. If we had to do it again, we think we could do it in *three months*.

"Our industry points with alarm to the fact that because of foreign competition there are perhaps no more than two thousand optical workers in the United States. This may be true; but the industry fails to mention the fact that in the process of learning the optical grinding business, we have radically changed and improved the methods used in Germany and other countries for hundreds of years. As a result the present unit productivity

of our two thousand workers is probably greater than the productivity of our optical grinding industry during the war.

"In Bell & Howell's rough grinding department alone, we now turn out ten times as many lens surfaces with eleven workers using automatic diamond grinders, than we did in 1943 with one hundred workers using the traditional 'thumb and finger' technique.

"No matter how you look at it, a tariff is a form of taxation on a consumer product. Yet the consumer never sees it, or knows how much it is. By protecting 'national defense industries' through high tariffs, we are giving the Defense Department a 'free ride.' We are assuming an additional burden of national defense without being able to appraise its cost or its need."

IN WRITING to this point more than 100 years ago, the French economist, Frédéric Bastiat, said:

"The kind of dependence which results from exchange, from commercial transactions, is a reciprocal dependence. We cannot be dependent on the foreigner without the foreigner being dependent on us. . . . A nation isolates itself looking forward to the possibility of war; but is not this very act of isolating itself the beginning of war? . . . Let countries be perma-

ment markets for each other's produce; let their reciprocal relations be such that they cannot be broken without inflicting on each other the double suffering of privation and a glut of commodities; and they will no longer stand in need of naval armaments, which ruin them, and overgrown armies, which crush them . . . and war will disappear for want of what supports it, for want of resources, inducements, pretexts, and popular sympathy."

THROUGHOUT his testimony, Mr. Percy indicated that trading, whether locally or on an international scale, is basically a peaceful, friendly project. He said: "For our part, to refuse to trade with the world — and tariff and customs barriers are in practice a refusal — in no way serves our own self-interest. Ultimately the refusal will isolate us from the free world and the friendship of free nations, as it will surely aid the cause of world communism.

"The risks of refusing to trade are terribly real. But on the positive side, the benefits of expanding our world trade are two-fold. History has proved that friendships follow the trade lanes. Our nation is possessed of a tremendous capacity for production, a capacity which is expected to increase a minimum of two per cent each

year. In seeking new markets for our products we will at the same time find ourselves in the happy position of winning friends. In considering world trade, we are apt to let our fears obscure our vision, forgetting that it can mean business gained rather than business lost."

Trade restrictions lead to hatreds, conniving, jealousy — incidents which in turn lead to conflict. Furthermore, trade restrictions weaken a nation's economy and make it less able to withstand attacks, should they come.

The testimony of Mr. Percy was remarkable because it came from a leader of an industry which is commonly thought of as needing protection. Bell & Howell exported only about six per cent of its total production in 1954. It faces terrific competition from foreign producers.

THE DAY following Mr. Percy's testimony, Mr. A. T. Brown, executive vice-president of the Caterpillar Tractor Company, offered testimony on H. R. 1 before the Ways and Means Committee in defense of fewer restrictions in international trade. Caterpillar's principal products are crawler tractors, engines, motor graders, and earth-moving equipment. Approximately one-third of its sales goes to foreign countries. Their worries are

chiefly from domestic rather than foreign competitors.

Protectionists will argue that Caterpillar, like the automobile makers, are naturally in favor of free trade because it helps their foreign sales. But the arguments which Mr. Brown advanced tie in logically with Mr. Percy's and help round out the picture of foreign trade.

Mr. Brown pointed out that because of its capital resources, the United States has a comparative advantage in the production of heavy equipment. Without its foreign markets, Caterpillar would have employed about 10,000 fewer persons with a pay roll decrease of about \$45 million. He said: "The American farmer is able to buy our tractors at lower relative prices because our export business has permitted greater mass economies than would otherwise have been possible." The same, of course, could be said for the automobile industry.

Mr. Brown knows that in order for foreigners to buy his tractors, they must somehow get hold of dollars; and that means selling something to us. "Every time people of other countries are denied the opportunity to earn dollars, United States exporters are deprived of opportunity to export."

Mr. Brown said further: "Another suggestion which I would

offer is that international trade be viewed first and foremost as a means of developing *our own* economic growth. By the example of one concern, I have attempted to show what export business can mean to the thousands of lives touched by its activities. Without exception we claim the results to have been good for all concerned — with harm to none.

"Competition to us is a *creative* force, not a destructive one, and if it truly is a *principle*, then it surely should be world-wide in its application. Let us not, therefore, defeat the good work of American precept by advocating our way of life as an example of what others should do, and then restrict their freedom to do it.

"If I were to try to leave one guiding thought, it would be that rather than devote our time to seeking and creating new plans, new rules, new laws, we set about wiping out the artificial restrictions which throughout the world are presently impeding trade. What is needed more than any one other single ingredient is more **FREE-DOM** — and this country is in a good position to set an effective example."

THE PASSING of H. R. 1 by the 84th Congress will by no means put an end to the debates on trade restrictions — tariffs, exchange con-

trols, quotas, GATT, subsidies, licenses, and the like. As long as government has unlimited powers, thus making possible its response to group pressures, the debates and the tangles will continue. The solu-

tion lies in limiting government to the suppression of all fraud, all violence, all misrepresentation, and all predatory practices. Then and only then can the free, competitive market exist.

The Seen And The Unseen

Economics, as we have now seen again and again, is a science of recognizing secondary consequences. It is also a science of seeing general consequences. It is the science of tracing the effects of some proposed or existing policy not only on some special interest in the short run, but on the general interest in the long run.

Now few people recognize the necessary implications of the economic statements they are constantly making. When they say that the way to economic salvation is to increase "credit," it is just as if they said that the way to economic salvation is to increase debt: these are different names for the same thing seen from opposite sides. When they say that the way to prosperity is to increase farm prices, it is like saying that the way to prosperity is to make food dearer for the city worker. When they say that the way to national wealth is to pay out governmental subsidies, they are in effect saying that the way to national wealth is to increase taxes. When they make it a main objective to increase exports, most of them do not realize that they necessarily make it a main objective ultimately to increase imports. When they say, under nearly all conditions, that the way to recovery is to increase wage rates, they have found only another way of saying that the way to recovery is to increase costs of production.

I do not make all the things I consume but, perhaps, only one of them. With the income I derive from making this one commodity, or rendering this one service, I buy all the rest. I wish the price of everything I buy to be low, but it is in my interest for the price of the commodity or services that I have to sell to be high. Therefore, though I wish to see abundance in everything else, it is in my interest for scarcity to exist in the very thing that it is my business to supply.

But the solution is never to reduce supplies arbitrarily, to prevent further inventions or discoveries, or to support people for continuing to perform a service that has lost its value. Yet this is what the world has repeatedly sought to do by protective tariffs, by the destruction of machinery, by the burning of coffee, by a thousand restriction schemes. This is the insane doctrine of wealth through scarcity.

Extracted from HENRY HAZLITT'S "Economics in One Lesson"

Protective Taxes And Wages

William Graham Sumner

THE DISCUSSION of protectionism in the United States constantly turns upon questions of wages. The question has two forms. The employed argue that protective taxes will make their wages high. The employers argue that protection is necessary for them, because they have to pay high wages. . . .

Protective taxes aim to keep foreign products out of the country, in order to secure the home market to the home producers. These taxes, therefore, make commodities dear, scarce, and hard to get. But the commodities in the country are what constitute the wages of laborers. If the amount of these commodities is rendered smaller than it might be, how can that raise wages, looking of course not at money wages, but at real wages, or the comfort attainable by the laborer? There is no real propriety in discussing wages apart from other elements in the comfort of the population. Protective taxes lessen the available comfort in the reach of all members of society; they curtail the enjoyment which each citizen might get out of each hundred dollars of income. If I dis-

cuss wages as a separate question, I do so only because the question has been so raised, not because I concede that the laborers have any separate interest which can be, or ought to be, discussed by itself. It is pure demagogism to represent it as one of the functions of the Government to make wages high, or in any way to pet the laboring class. The protective taxes press upon all, even upon the protected, who mutually plunder each other. The lowering of real wages, by making commodities scarcer and dearer, is the way in which the wages-class are subjected to their share of the effects of protective taxes. . . .

THE FALLACY in the notion that protective taxes make wages high is the same as the fallacy in the notion that trades-unionism makes wages high. Protection and trades-unionism act on the same principle. Trades-unionism inculcates negligence, slackness, and shirking. It teaches the men not to take pains, not to try to excel, not to do good work, and the philosophy of it is that the men should not try to produce, but should try not to pro-

From an essay in the *North American Review*, January, 1883. pp. 270-276.

duce, on the theory that if things are made scarce and dear and hard to get, that makes "work," and so makes wages high. If that philosophy were sound, all the classes which consume but produce nothing — like soldiers, paupers, idle women, idle rich, gamblers, criminals, and convicts — would be all the time raising wages, and they would lower wages if they should go to work, and not only consume but also produce. On the same philosophy, the Pittsburg rioters were sound economists when they let the city burn down, thinking that it would make work and raise wages. The protectionist and the trades-unionist both think that wages are increased when things are made scarce and hard to get. First they confuse wages with work, and then they confuse work with toil, and they think that they have increased wages, that is, good things to enjoy, when they have only increased the toil by which things are obtained. The truth is that wages are raised only by industry, thrift, temperance, prudence, and economy, producing abundance and increasing capital, not by any dark and crafty devices for producing scarcity and bad work.

We may now look at the other notion, — that high wages make protective taxes necessary. People who believe this must have a queer

idea of the economic laws of society. They must think that a blessing and a calamity are not to be distinguished from each other. The wages paid in any industry are only one of the conditions of production . . . If a capitalist says that he cannot pay the current rate of wages, the first answer that should be made to him is to tell him not to do it then, for he must be misapplying his capital in some way or other. The market rate of wages is set by the supply and demand of labor, and there must be some industries which are able to win profits while paying that rate. But when our petitioners appear before committees of Congress to ask for protection, and allege that they need it because wages are high, when has any one of them ever been subjected to an examination to learn whether he understands the business he has engaged in, or has an adequate capital, or has faithfully devoted himself to business, or has judiciously located his establishment, or has bought his raw materials wisely, or has adopted new machinery rapidly enough, and yet not too rapidly, or has organized his industry with good judgment, and so on indefinitely? Surely these inquiries would be to the point, when a man pleads for power to tax his fellow-citizens to make up the losses of his business. Wages are one of the

essential expenses of any business. If it cannot pay wages at the market rate, it is not a "business"; it is either a play or a swindle. If it is said, as it constantly is, that American industry in general should be protected because American wages are high, the decision is made to turn on a single point when there are a score of conditions of industry which would need to be taken into account. What are the facts as regards cost and convenience of raw materials, facilities of transportation, cost and quality of machinery, climate as affecting industry, character of the people for industry, intelligence, and sobriety, security of property and order under the Government, excellence or otherwise of the tax system? These are the conditions of industry as between nations, not comparative rates of wages . . .

IT IS SAID that we cannot compete with those who pay less wages than we. There are two classes of persons with whom one cannot compete, — his inferiors and his superiors. A physician might find that he could not compete with a laborer in digging a ditch, or with a great financier in managing a bank. Could any tax enable him to compete with the banker; that is, to compete with his superior? On the

contrary, if he should complain that he could not compete with the laborer because he could not afford to employ his time in an occupation which is less remunerative than his own, every one would ask him why then he desired to compete? Now, could a tax enable him to compete with the laborer? Indeed, it could. It could intervene to deprive him of the services of the laborer, and force him to dig his own ditch, abandoning a profession in which he could earn ten dollars a day to spend his time in an occupation worth only a dollar. This last is the only way in which protective taxes enable us to compete. They put us in a position such that we abandon occupations in which we might earn the high American rates, in order to do things which other people would do for us at half the price. Lower wages abroad, therefore, are not a reason for protective taxes, but just exactly the contrary. Our high wages are a proof that we can better occupy our time. They are a proof that we have means of employing our capital and labor, which are highly remunerative; and to make them an argument for protection is like arguing that a rich man needs charity, or a strong man help.

If goods do not cross frontiers, armies will!

ANONYMOUS

The Economics Of War

Ludwig von Mises

THE MARKET economy involves peaceful cooperation. It bursts asunder when the citizens turn into warriors and, instead of exchanging commodities and services, fight one another.

The wars fought by primitive tribes did not affect cooperation under the division of labor. Such cooperation by and large did not exist between the warring parties before the outbreak of hostilities. These wars were unlimited or total wars. They aimed at total victory and total defeat. The defeated were either exterminated or expelled from their dwelling places or enslaved. The idea that a treaty could settle the conflict and make it possible for both parties to live in peaceful neighborly conditions was not present in the minds of fighters.

The spirit of conquest does not acknowledge restraints other than those imposed by a power which resists successfully. The principle of empire building is to expand the sphere of supremacy as far as possible. The great Asiatic conquerors and the Roman Imperators were stopped only when they could not

march further. Then they postponed aggression for later days. They did not abandon their ambitious plans and did not consider independent foreign states as anything else than targets for later onslaughts.

THIS PHILOSOPHY of boundless conquest also animated the rulers of medieval Europe. They too aimed first of all at the utmost expansion of the size of their realms. But the institutions of feudalism provided them with only scanty means for warfare. Vassals were not obliged to fight for their lord more than a limited time. The selfishness of the vassals who insisted on their rights checked the king's aggressiveness. Thus the peaceful coexistence of a number of sovereign states originated. In the sixteenth century a Frenchman, Bodin, developed the theory of national sovereignty. In the seventeenth century a Dutchman, Grotius, added to it a theory of international relations in war and peace.

With the disintegration of feudalism, sovereigns could no longer rely upon summoned vassals. They

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“nationalized” the country’s armed forces. Henceforth, the warriors were the king’s mercenaries. The organization, equipment, and support of such troops were rather costly and a heavy burden on the ruler’s revenues. The ambitions of the princes were unbounded, but financial considerations forced them to moderate their designs. They no longer planned to conquer a whole country. All they aimed at was the conquest of a few cities or of a province. To attain more would also have been unwise politically. For the European powers were anxious not to let any one of them become too powerful and a menace to their own safety. A too impetuous conqueror must always fear a coalition of all those whom his bigness has frightened.

THE COMBINED effect of military, financial, and political circumstances produced the limited warfare which prevailed in Europe in the three hundred years preceding the French Revolution. Wars were fought by comparatively small armies of professional soldiers. War was not an affair of the peoples; it concerned the rulers only. The citizens detested war which brought mischief to them and burdened them with taxes and contributions. But they considered themselves victims of events in which they did not participate actively.

Even the belligerent armies respected the “neutrality” of the civilians. As they saw it, they were fighting the supreme war lord of the hostile forces, but not the non-combatant subjects of the enemy. In the wars fought on the European continent the property of civilians was considered inviolable. In 1856 the Congress of Paris made an attempt to extend this principle to naval warfare. More and more, eminent minds began to discuss the possibility of abolishing war altogether.

Looking at conditions as they had developed under the system of limited warfare, philosophers found wars useless. So they reasoned as follows: Men are killed or maimed, wealth is destroyed, countries are devastated for the sole benefit of kings and ruling oligarchies. The peoples themselves do not derive any gain from victory. The individual citizens are not enriched if their rulers expand the size of their realm by annexing a province. For the people wars do not pay. The only cause of armed conflict is the greed of autocrats. The substitution of representative government for royal despotism will abolish war altogether. Democracies are peaceful. It is no concern of theirs whether their nation’s sovereignty stretches over a larger or smaller territory. They will treat territorial problems without bias

and passion. They will settle them peacefully. What is needed to make peace durable is to dethrone the despots. This, of course, cannot be achieved peacefully. It is necessary to crush the mercenaries of the kings. But this revolutionary war of the peoples against the tyrants will be the last war, the war to abolish war forever.

THIS IDEA was already dimly present in the minds of the French revolutionary leaders when, after having repelled the invading armies of Prussia and Austria, they embarked upon a campaign of aggression. Of course, under the leadership of Napoleon they themselves very soon adopted the most ruthless methods of boundless expansion and annexation until a coalition of all European powers frustrated their ambitions. But the idea of durable peace was soon resurrected. It was one of the main points in the body of nineteenth-century liberalism as consistently elaborated in the much abused principles of the Manchester School.

These British liberals and their continental friends were keen enough to realize that what can safeguard durable peace is not simply government by the people, but

government by the people under unlimited laissez faire. In their eyes free trade, both in domestic affairs and in international relations, was the necessary prerequisite of the preservation of peace. In such a world without trade and migration barriers no incentives for war and conquest are left. Fully convinced of the irrefutable persuasiveness of the liberal ideas, they dropped the notion of the last war to abolish all wars. All peoples will of their own accord recognize the blessings of free trade and peace and will curb their domestic despots without any aid from abroad.

MOST HISTORIANS entirely fail to recognize the factors which replaced the "limited" war of the "ancien régime" by the "unlimited" war of our age. As they see it, the change came with the shift from the dynastic to the national form of state and was a consequence of the French Revolution. They look only upon attending phenomena and confuse causes and effects. They speak of the composition of the armies, of strategical and tactical principles, weapons and transportation facilities, and of many other matters of military art and administrative technicalities.*

However, all these things do not

*The best presentation of the traditional interpretation is provided by the book, *Makers of Modern Strategy, Military Thought from Machiavelli to Hitler*, ed. E. M. Earle (Princeton University Press, 1944); cf. especially the contribution of R. R. Palmer, pp. 49-53.

explain why modern nations prefer aggression to peace.

There is perfect agreement with regard to the fact that total war is an offshoot of aggressive nationalism. But this is merely circular reasoning. We call aggressive nationalism that ideology which makes for modern total war. Aggressive nationalism is the necessary derivative of the policies of intervention and national planning. While laissez faire eliminates the causes of international conflict, socialism and government interference with business create conflicts for which no peaceful solution can be found. While under free trade and freedom of migration no individual is concerned about the territorial size of his country, under the protective measures of economic nationalism nearly every citizen has a substantial interest in these territorial issues. The enlargement of the territory subject to the sovereignty of his own government means material improvement for him or at least relief from restrictions which a foreign government has imposed upon his well-being. What has transformed the limited war between royal armies into total war, the clash between peoples, is not technicalities of military art, but the substitution of the welfare state for the laissez-faire state.

If Napoleon I had reached his goal, the French Empire would

have stretched far beyond the limits of 1815. Spain and Naples would have been ruled by kings of the house of Bonaparte-Murat instead of kings of another French family, the Bourbons. The palace of Kassel would have been occupied by a French playboy instead of one of the egregious Electors of the Hesse family. All these things would not have made the citizens of France more prosperous. Neither did the citizens of Prussia win anything from the fact that their king in 1866 evicted his cousins of Hanover, Hesse-Kassel, and Nassau from their luxurious residences. But if Hitler had realized his plans, the Germans expected to enjoy a higher standard of living. They were confident that the annihilation of the French, the Poles, and the Czechs would make every member of their own race richer. The struggle for more Lebensraum was their own war.

UNDER LAISSEZ FAIRE peaceful co-existence of a multitude of sovereign nations is possible. Under government control of business it is impossible. The tragic error of President Wilson is that he ignored this essential point. Modern total war has nothing in common with the limited war of the old dynasties. It is a war against trade and migration barriers, a war of the comparatively overpopulated coun-

tries against the comparatively underpopulated. It is a war to abolish those institutions which prevent the emergence of a tendency toward an equalization of wage rates all over the world. It is a war of the farmers tilling poor soil against those governments which bar them from access to much more fertile soil lying fallow. It is, in short, a war of wage earners and farmers who describe themselves as underprivileged "have-nots" against wage earners and farmers of other nations whom they consider privileged "haves."

The acknowledgment of this fact does not suggest that victorious wars would really do away with those evils about which the aggressors complain. Neither does it mean that there can be any question of appeasing the aggressors by removing migration barriers. As conditions are today, the Americas and Australia in admitting German, Italian, and Japanese immigrants would merely open their doors to the vanguards of hostile armies.

It is futile to place confidence in treaties, conferences, and such bureaucratic outfits as the League of Nations and the United Nations. Plenipotentiaries, office clerks, and experts make a poor show in fighting ideologies. The spirit of conquest cannot be smothered by red tape. What is needed is a radical

change in ideologies and economic policies. . . .

If an economically self-sufficient man starts a feud against another autarkic man, no specific problems of "war economy" arise. But if the tailor goes to war against the baker, he must henceforth produce his bread for himself. If he neglects to do this, he will be in distress sooner than his adversary, the baker. For the baker can wait longer for a new suit than the tailor can for fresh bread. The economic problem of making war is therefore different for the baker and for the tailor.

THE INTERNATIONAL division of labor was developed under the assumption that there would no longer be wars. In the philosophy of the Manchester School free trade and peace were seen as mutually conditioning one another. The businessmen who made trade international did not consider the possibility of new wars.

Nor did general staffs and students of the art of warfare pay any attention to the change in conditions which international division of labor brought about. The method of military science consists in examining the experience of wars fought in the past and in abstracting general rules from it. Even the most scrupulous occupation with the campaigns of Turenne and Napoleon I could not suggest the exist-

ence of a problem which was not present in ages in which there was practically no international division of labor.

THE EUROPEAN military experts slighted the study of the American Civil War. In their eyes this war was not instructive. It was fought by armies of irregulars led by non-professional commanders. Civilians like Lincoln interfered with the conduct of the operations. Little, they believed, could be learned from his experience. But it was in the Civil War that, for the first time, problems of the interregional division of labor played the decisive role. The South was predominantly agricultural, its processing industries were negligible. The Confederates depended on the supply of manufactures from Europe. As the naval forces of the Union were strong enough to blockade their coast, they soon began to lack needed equipment.

The Germans in both World Wars had to face the same situation. They depended on the supply of foodstuffs and raw materials from overseas. But they could not run the British blockade. In both wars the outcome was decided by the battles of the Atlantic. The Germans lost because they failed in their efforts to cut off the British Isles from access to the world market and could not themselves

safeguard their own maritime supply lines. The strategical problem was determined by the conditions of the international division of labor. . . .

What distinguishes man from animals is the insight into the advantages that can be derived from cooperation under the division of labor. Man curbs his innate instinct of aggression in order to cooperate with other human beings. The more he wants to improve his material well-being, the more he must expand the system of the division of labor. Concomitantly he must more and more restrict the sphere in which he resorts to military action. The emergence of the international division of labor requires the total abolition of war. Such is the essence of the *laissez-faire* philosophy of Manchester.

This philosophy is, of course, incompatible with statolatry. In its context the state, the social apparatus of violent oppression, is entrusted with the protection of the smooth operation of the market economy against the onslaughts of antisocial individuals and gangs. Its function is indispensable and beneficial, but it is an ancillary function only. There is no reason to idolize the police power and ascribe to it omnipotence and omniscience. There are things which it can certainly not accomplish. It cannot conjure away the scarcity of the

factors of production, it cannot make people more prosperous, it cannot raise the productivity of labor. All it can achieve is to prevent gangsters from frustrating the efforts of those people who are intent upon promoting material well-being.

The liberal philosophy of Bentham and Bastiat had not yet completed its work of removing trade barriers and government meddling with business when the counterfeit theology of the divine state began to take effect. Endeavors to improve the conditions of wage earners and small farmers by government decree made it necessary to loosen more and more the ties which connected each country's domestic economy with those of other countries. Economic nationalism, the necessary complement of domestic interventionism, hurts the interests of foreign peoples and thus creates international conflict. It suggests the idea of amending this unsatisfactory state of affairs by war. Why should a powerful nation tolerate the challenge of a less powerful nation? Is it not insolence

on the part of small Lapputania to injure the citizens of big Ruritania by customs, migration barriers, foreign exchange control, quantitative trade restrictions, and expropriation of Ruritanian investments in Lapputania? Would it not be easy for the army of Ruritania to crush Lapputania's contemptible forces?

SUCH WAS ideology of the German, Italian, and Japanese warmongers. It must be admitted that they were consistent from the point of view of the new "unorthodox" teachings. Interventionism generates economic nationalism, and economic nationalism generates bellicosity. If men and commodities are prevented from crossing the borderlines, why should not the armies try to pave the way for them? . . .

Modern civilization is a product of the philosophy of *laissez faire*. It cannot be preserved under the ideology of government omnipotence. . . . To defeat the aggressors is not enough to make peace durable. The main thing is to discard the ideology that generates war.

There has just been published by the Yale University Press a book that is destined to become a landmark in the progress of economics. Its title is *Human Action*, and its author is Ludwig von Mises. . . .

If any single book can turn the ideological tide that has been running in recent years so heavily toward statism, socialism, and totalitarianism, *Human Action* is that book. It should become the leading text of everyone who believes in freedom, in individualism, and in the ability of a free-market economy not only to outdistance any government-planned system in the production of goods and services for the masses, but to promote and safeguard, as no collectivist tyranny can ever do, those intellectual, cultural, and moral values upon which all civilization ultimately rests. HENRY HAZLITT, *Newsweek*, Sept. 19, 1949

Monopoly And Competition

Bradford B. Smith

Free competition is as much threatened
by coercive attempts to perfect it as
by direct abuse of monopoly powers

ACCORDING to the writers of economic textbooks, competition is not just competition; there is "perfect competition," "imperfect competition," "non-price competition," "unfair competition," "potential competition," "workable competition," "monopolistic competition," and a host of other kinds.

To the degree that I understand these terms, the distinctions between the various kinds of competition are primarily based upon the number and relative size of the producers or buyers in a market for a given product. The range is from so-called "perfect competition" where there are a great many producers, no one of which is significantly large, to "monopoly" where there is only one producer. In theory — and I think in theory only — there is also a paralleling consequence to prices. Thus, under so-called "perfect competition" producers can theoretically get very little for what they produce, while under "monopoly" the producer can

theoretically charge whatever people are willing to pay rather than do without the product.

And finally, there is often some sort of social judgment that is implied. The implied judgment is that "perfect competition" is a good thing — an objective generally to be sought or achieved by law, while anything less than so-called "perfect competition" is something short of perfection with monopoly at the tail end of the procession being regarded as something very bad that ought to be abolished and forbidden.

That such a social judgment is achieved is, I suppose, quite natural. There is an insidious semantic inducement to do so in the very terminology itself. Thus these economists have set up for theoretical analysis a hypothetical condition which, in the real world, seldom, if ever, exists at any time or place. They have given this condition a name, to wit: "perfect competition." Perfect competition assumes

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producers so numerous and small that the disappearance of any one of them would be unnoticed. It also assumes complete information and mobility of resources — that is, entry into or withdrawal from production being relatively costless.

ANY SCHOLAR at any time has a perfect right to establish a hypothesis, give names to concepts, define his terms, make and state assumptions, abide by them, and reason from them. These are, indeed, the methods of scientific analysis. In this case, however, the choice of the name, “perfect competition,” was, I think, a little unfortunate. It is popularly interpreted to mean the “best kind of competition.” The technician using this terminology is also able to point to any industry in America and say that competition in that industry is “imperfect” or “oligopolistic.” To make it “perfect,” all large units of production must be forcefully broken up into little bits. From there on out, discussion is more likely to become demagogic than discerning.

This gets things turned upside down because the fact is that so-called “perfect competition” is not the best kind of competition for America. As a matter of fact, it is probably the very worst kind, from the point of view of getting the maximum production and distribution of the good things of life. I

believe this to be true: If the economist’s ideal “perfect competition” were ever legislatively imposed and enforced in this country, prices would not be lower but very much higher; and productivity would decline so far and so fast that millions of us would literally die of starvation and destitution.

One does not have to go any further than his own home and backyard to prove this. Thus in the little economic world of the home, mother has a monopoly of preparing the meals, while father has a monopoly on mowing the lawn. Now suppose “perfect competition” were imposed and they were forced to compete with each other. Well, I can testify that father’s time spent in the kitchen would be largely wasted, and mother’s time behind the lawnmower might be a shade less effective than father’s. Net result: The family’s living scale would go down.

IN THE community at large, under an enforced “perfect competition,” the only way that the more efficient producers could possibly be kept from getting a bigger share of the market would be to forbid them to do so under threat of fine, imprisonment, or punitive taxation. Thus the inefficient would be sheltered; costs and prices would be kept up; the benefits of the division of labor would be denied;

there would be greatly diminished incentive to invest in the great factories and large-scale output which have made America's abundant production possible. In short, the America we know would disappear should we seek to impose upon ourselves that which is technically named "perfect competition."

ACTUALLY, monopoly — as contrasted to "perfect competition" — is the mechanism through which the world progresses to new and better products and services. Forbid monopoly and on that day progress stops. This follows from the commonplace observation that there always has to be a first producer — a monopolist — of anything new. He who produces and markets something new is not taking anything away from anybody. He is offering them something in addition. There is no way that he can possibly injure them through the price he puts on his product. The buyer carries his own remedy in refusal to buy if he deems the price too high.

I would not have you understand from these observations that all types of monopolies are necessarily good things. Far from it! But I would have you understand that a numerical investigation that yields the conclusion that there is only one or a few producers of a given item is not a sufficient reason for

condemning that situation as undesirable in the public interest.

HERE ARE illustrations of two types of monopoly — one bad and one good: Every young lady is acquainted with a number of young men. Quite frequently, two or more of these young men are seeking to monopolize her time and affection. There are, broadly speaking, two ways in which one of these young men can achieve the monopoly to which he aspires. The first way is to buy a gun and shoot his rivals. The other way is to outperform his rivals. Monopoly achieved by forcefully preventing others from producing is against both good morals and economic welfare. Monopoly achieved by doing a better job at better prices than others can do is a service to the community, not a sin against it.

I must confess that I find the "number system" approach to the story of monopoly and competition both fruitless and frustrating for my purposes. Counting the number of noses, and their relative size, in a given market tells me nothing about what is good or bad for our beloved country. It does not tell me what number and size of noses in given markets would most promote the production and distribution of wanted goods and services. It does not help me in advising my own company with respect to expansion

or retrenchment policy. And so I am regretfully compelled to put the number system analysis of competition aside as interesting, but not helpful. I must seek elsewhere for understanding and enlightenment about competition.

I have already stated that any student had a right to establish concepts, to label and define them. So, here is my definition of my ideal which is free competition: It is the absence of fraud, theft, coercion, and intimidation from any source in the dealings of people with each other. Let me repeat that definition because it is the key thought to my theme. Free competition is the absence of fraud, theft, coercion, and intimidation from any source in the dealings of people with each other. You will note that the definition is in the negative; it is concerned with what is to be eliminated from transactions rather than what is to be injected into them. It can be stated, although I think it is not so illuminating, in the positive like this: Free competition means that whatever non-harmful things are to be produced, by whom, where, when, in what amount, and at what price or wage is left strictly to the *voluntary* decisions of the people concerned.

I think that the maintenance of free competition, as I have defined it, is very important, and that

its increasing impairment can spell the doom of the American republic as we know it. Free competition is important, first, because it guarantees the maximum possible production of the most wanted goods. It yields the maximum satisfaction of human wants from the human and natural resources available, thus guaranteeing the maximum achievable economic progress. Second, free competition is our only instrument for continuously dispensing economic justice. Finally, and most important, free competition is the foundation stone of individual liberty. Free competition and individual liberty are, indeed, virtually one and the same thing. They have the same definition. Abolish free competition and individual liberty will perish from this earth.

HERE FOLLOW my explanations of why I believe these things to be true, along with a few comments on the avenues by which free competition is being impaired. But to do so I have to go back to some key words in that definition — namely, fraud, theft, coercion, and intimidation.

Few people believe in fraud or theft as a means of personal dealing with each other. But when dealing through government, these same things under different names seem obscure to most people. It is the more dangerous for that very

reason. Let me give you an example: The private counterfeiter is universally condemned, and for good reasons; he is engaged in both fraud and theft. Now suppose the government does the same thing — prints a lot of paper money and distributes it to people who are thereby entitled to get something for nothing. The process dilutes the currency, diminishes its buying power, and thereby robs all other holders of money of part of that which they have justly earned. It also unbalances the flow of money and goods to markets, thus creating a temporary and synthetic demand that brings about economic maladjustment. It is inflation. It is amazing to me that some people advocate the monetary equivalent of such official fraud and theft as a cure for economic troubles. It is not a cure; it is a cause of such trouble. That is the unvarying verdict of history.

I come now to the words “coercion” and “intimidation.” Intimidation is the threat of coercion, so that leaves coercion. Coercion is an ugly thing. But we must seek to understand it and its administration because it is the central theme of political organization. For example, should we as a people decide we wanted that thing called “perfect competition,” it could only be brought about by coercion. Also, the principal distinction be-

tween the economic organization of Russia and of this country is that production and prices in Russia are dictated under the whip of the policeman, whereas in this country they are only partially so dictated.

THE ESSENCE of coercion can be discerned if you consider the possible ways by which you can force or compel anyone to do anything — whether it is the baby in your own family or your neighbor across the street. I do not mean the mechanisms of persuading, or hiring, or bribing, or bargaining with a person — I mean forcing or coercing him to do or not to do something against his will. Think as you will, I believe you will find that the ways of compelling people to do things come down to a very few basic things. They are the actual or threatened infliction of physical pain or confinement and the taking of one's property without his consent. Thus, is there any way you can *force* your neighbor to do anything *if he knows* that you cannot injure him in his person, good name, or property in any way? I think not. The power to coerce is the armed power to confine or injure people even unto death, and to deprive them of their possessions without their consent. Government always and everywhere has a legal monopoly of the power

to coerce. It has a police force — equipped with clubs, guns, and jails — which supervises the behavior of a disarmed populace. Government alone can legally imprison, torture, execute, or impose fines upon people. The individual who is governed cannot legally do any of these things except as the government delegates part of its power. Thus the parent cannot even give his own child a well-merited spanking — that is, inflict pain — except as the government permits him to do so in a limited way. If he spansks his child too hard, he will land in jail. So much for the nature of coercion and the government's monopoly of it.

Now that we understand this, it follows that we will have free competition when and only when the government exercises its power to coerce exclusively for the purpose of canceling out the exercise of fraud, theft, coercion, and intimidation in the dealings of people with each other. Put another way, the government will, on the one hand, prohibit and punish people for resorting to fraud, theft, coercion, and intimidation in their dealings with each other; and, on the other hand, it will itself refrain from dictating under threat of fine, imprisonment, or punitive taxation what people will produce and the prices and wages they will pay to each other. In this way, and in this way

alone, can free competition be established and maintained. This is also the only way under the sun that individual freedom can be established and maintained. For as long as people can coerce each other, either directly or indirectly through their government, then they are not a free people. Free competition can be practiced only by a free people.

As previously stated, free competition results in the maximum possible satisfaction of human wants from the labor and resources available. To illustrate this, let's start with one individual wanting one thing. Let's suppose that you want a drink of water. Well, neither I nor anybody else can tell just how much you want that drink of water. We do not know whether you want it badly enough to justify the effort of walking into another room to get it. But we do have a certain way of making sure that you get the maximum *net* satisfaction out of the situation. We simply say to you: No one is going to force you to go get a drink, and no one is going to prevent you from getting the drink. So you balance your innate desire for the drink against your innate disinclination to exert yourself to get it and thereby do the thing which yields to you the highest net satisfaction in terms of your own wants and capacities. If anyone forces you to a different de-

cision, your net satisfaction will be diminished.

NOW TAKE the example of several persons in an informal social gathering, all wanting drinks of water and also wanting the phonograph supplied with a constant change of records. Well, some might want records more than drinks and vice versa. And some might be more disinclined to be record-changers than drink-getters and vice versa. Again, no one knows how to measure the intensity of either the wants or the disinclinations. But we do know how to make sure that, whatever they are, they can be balanced against each other to yield the maximum human satisfaction for the efforts involved. The way to do it is to prescribe that no one is going to *force* anyone to do or not to do anything. Then some will become drink-getters for the group and others will become record-changers. Everyone gets both the drinks and the music wanted, but each one undertakes that job to which he is least disinclined. Please note that by this voluntary division of labor and subsequent exchange of products, the net human satisfaction of everyone is increased in terms of each one's innate wants and capacities. Each one gets *both* the music and drinks he wants but gets them by a process that is more satisfactory to him than if he per-

formed both services for himself. If record-changers demand too many drinks in exchange for their records, then some will change over from being drink-getters to record-changers, and the record-changing price will drop relative to drinks. But if coercion is kept out of the picture, the exchange rate — the price — balances at the point yielding the most human satisfaction in terms of the labor involved.

SO MUCH for free competition as the guarantee of maximum human satisfaction from the available resources. I have also stated that free competition is the guardian of economic justice. This touches on the whole complicated problem of what is a fair price or fair wage. But I think that problem can be greatly illuminated and vastly simplified if approached from the point of view of free competition as I have defined it. That approach results in a simple and, I think, uncontestable proposition. It is that the fair price to a seller of a product or of his services is the highest price that anyone in all this land will voluntarily pay in view of what others are asking for the same product or service. Similarly the fair price to a buyer of a product is the lowest price at which anyone in all the land will *voluntarily* sell the product in view of what other buyers are voluntarily willing to pay.

You as a seller always want a high price for what you sell. But you — the very same you — always want a low price for what you buy. The only way that we can be sure that you get the highest possible price when you sell is to make sure that no one who might want to buy your product is coercively prevented from so doing. The only way that we can be sure that you pay the lowest possible price when you are a buyer is that no one who might want to sell you the product is coercively prevented from so doing. But that is free competition as I have defined it. So much, then, about free competition as the guardian of economic justice.

I said that free competition also guarantees the maximum achievable economic progress. This is true because free competition is the only mechanism ever discovered by man which gives the maximum possible incentive and opportunity to each man living under it without undermining a similar incentive and opportunity for all other men. This is how it works out: Free competition says to each and every person that he is entitled to that which he produces, either to consume himself, to save, or to dispose of in voluntary exchange for the fruits of other's efforts. Equally it says that you are not entitled to take away from others, without their consent, what they have produced.

Thus to each producer is held out a reward which is exactly equivalent to the full and fair value of what he produces. Similarly to each person, there is applied the spur of his own necessity — because he is denied any right to take away from others that which they have produced. Now let us suppose for a moment that we suspend free competition and dictate that from the more productive shall coercively (how else?) be taken part of what they produce for the benefit of the less productive. See what that does to the incentives: If the output of the more productive is taken from them, their incentive to be more productive is automatically diminished. If the less productive get something for nothing, they also have less reason to exert themselves as much as they can. Everybody's incentive is thus undermined; progress decreases.

AS FOR the maintenance of maximum opportunity for everyone, it would seem clear that under free competition anyone can undertake any occupation he desires, since those already engaged in it are denied any means of preventing him from so doing. This means maximum mobility between occupations. With maximum possible incentives, maximum possible opportunity, and maximum mobility, we can logically expect that under free

competition more people will find their way to doing that which they can do most efficiently and most pleasurably than will happen under any other system. The almost miraculous rise in American production and living standards that has taken place during the life of the republic is imposing and impressive evidence of this truth.

Well, that is enough about free competition and why it is important — very important in my opinion. Now we come to the impairment of competition. I guess we might just as well face up to the fact that free competition has been gravely impaired. Since I have defined competition as the absence of fraud, theft, coercion, and intimidation, the only impairment of competition that is possible is through the introduction of fraud, theft, coercion, or intimidation.

There is only one kind of impairment of competition that ever receives much publicity or public attention as such — and it is probably the least important of the several impairments of competition. I refer to the case where a few producers of a similar item agree with each other that they will not sell to each other's customers or that they will refuse to make sales to anyone at less than an agreed upon price. Such agreements — the mutually coercive restriction of each other's production — used to be en-

forceable through the courts. That is where the element of compulsion came in. But they were outlawed under the Sherman Anti-Trust Act. Nevertheless, it is often believed by some that such unlawful agreements today will be secretly made and voluntarily fulfilled because of supposed mutual benefit. In such instances the federal government brings a so-called antitrust suit.

I will offer you my own industry as an illustration. Many years ago, the United States Steel Corporation produced about two-thirds of the steel made in this country. A suit under the antitrust acts was brought against it. Many people know of this. As a result, the so-called "Steel Trust" used to be used in textbooks as a favorite example of monopoly. Possibly it is still so used — I have not looked it up. What people do not know, or fail to remember, or seldom mention, is that the case against the Corporation was carried up to the Supreme Court which Court declared it innocent some thirty years ago. They also do not seem to realize that over the years the situation in the steel industry has greatly changed. Whereas U. S. Steel used to produce twice as much steel as its competitors, its competitors, nowadays, produce twice as much steel as U. S. Steel.

Nearly all the recent scholarly analyses of so-called concentration

of economic power in corporations indicate that such concentration as exists is diminishing rather than increasing. I do not suppose that anyone would contend that as much as two or three per cent of the nation's business is significantly suffering from impairment of competition through concentration. What I am concerned about is the unpublicized impairments of free competition that affect nearly all of the people and all of the business they do.

FIRST, I will refer to the use of taxation to impair free competition. You will recall that if you forcefully take away from the more productive the fruits of their greater productivity to give to the less productive, you have thereby diminished the incentive of everybody. Nevertheless, in *The Communist Manifesto*, Karl Marx advised, even demanded, that communists everywhere try to bring about steep progressive income taxes and confiscatory inheritance taxes.

In this matter of taxation, we in this country have now done exactly what Karl Marx demanded. We are taxing the more productive up to 90 per cent of their incomes. At the other end of the income line, we have a permanent roll of unemployed people. On the topside, more and more capable people are saying: "Why should I work so hard

when the government takes most of it?" On the bottom side, we have more and more people saying: "Why should I work at all when I can get along all right on what the government will give me?" I know of no more serious and hidden impairment of free competition than this. Steep progressive taxation is the best way to murder progress.

Another fearful impairment of free competition is the resort to printing press money — or its monetary equivalent. I have previously mentioned it as fraud and theft, officially conducted, which is enough to classify it as an impairment of free competition. The more customary way of studying it is as the source of inflationary boom and subsequent bust. That we have been suffering badly from inflation in recent years is common knowledge.

Boom and bust wrench the economy. During boom, manpower and resources are mis-invested to supply the demand that the inflow of new money or credit seems to represent. When the inflow stops, such resources are proved to have been wasted. It is like a girl investing in a dress for a party she expects to attend only to discover, too late, that the party is called off. During the reactionary depression following boom, manpower and resources are wasted in idleness. Currency debauchery ranks with steep pro-

gressive taxation as a hidden and evil means of destroying the benefits of free competition. The communists have long recommended them as among the very best ways to bring about the downfall of our form of civilization.

FINALLY, I will call your attention to several situations in which coercion is a principal factor in the determination of prices or wages — and hence in the impairment of free competition. The first one has to do with the price of farm products. Suppose a policeman called at your home and compelled you to go to the market and buy some potatoes and butter, which he then compelled you to turn over to a man that he required you to hire to destroy the potatoes and butter. If you then wanted to buy some more potatoes and butter to eat, you could, of course, do so, but at a higher price because you have already bought and destroyed part of the supply. This may sound a bit grim and it is obviously the story of wasted productive effort, coercively enforced; yet, I submit, that if I had said “tax collector” instead of “policeman,” it is an exact statement of what we have — by force of government — been doing in recent years.

The farm product situation illustrates the economic wastage in overproduction that occurs when

we, through our government, coercively dictate prices that are higher than would be established in the absence of such coercion. There is similar wastage when prices are dictated at levels which are lower than would be established in the absence of such coercion. Such prices say to the buyer that no matter how much greater his need or want for the product may be, he is nevertheless forbidden to bid the product away from other buyers of lesser need. That the product will go to the places where it will do the most good cannot, therefore, be insured; total satisfaction is thus diminished rather than maximized.

Worse than that, such dictated sub-competitive prices say to the producer and to would-be producers: “There is to be little or no profit in bringing about increased production.” This tends to depress the production of what is wanted.

MY LAST illustration of the impairment of free competition is to be found in the great labor monopolies that have been created and nurtured by legislation. Under the labor laws, the government, in effect, appoints for the employees of each company an “exclusive bargaining agent.” In practice, the same “exclusive bargaining agent” is appointed for most or all of the employees in an industry. The law further states, under threat of fine

or imprisonment, that no employer can pay to any covered employee either more or less than the "exclusive bargaining agent" says and agrees to. It does not make any difference whether the particular employee is or is not a member of the union. The individual employee has no right to decide for himself on his wages and working conditions. The right is taken away from him and vested in the "exclusive bargaining agent."

If employers do not wish to pay as high an amount as the agent demands, then the law permits the exclusive bargaining agent to call an industry-wide strike, enforce it with picket lines, close down the industry — regardless of civil and defense needs — and make everybody suffer until the agent is satisfied. The picket line is supposed to be peaceful. It is peaceful only so long as no workers — preferring to work rather than to strike — seek to cross it. In practice, it can and has become violent the instant they seek to do so — a violence that in the past not infrequently has resulted in killing people. It is like a high voltage electric transmission line. It is very peaceful if you stay away from it; but if you touch it, you may be killed.

This is monopoly established and maintained by combined government and private coercion and intimidation. Its exact equivalent, just

one stage further along the production line, would be the legislative creation of nation-wide exclusive selling agents for the products of each industry, with all people legally prohibited on pain of fine and imprisonment from buying the products from anybody at prices differing from those set by such exclusive selling agents. Indeed, a coercive monopoly of the labor that goes into a product and a coercive monopoly of the product itself are in an economic sense very much the same thing, because about 85 per cent of the over-all nontax cost of industrial products is the cost of the labor that goes into them.

One of these forms of coercively enforced monopoly we now have in our land on a scale never before realized. Either form of such monopoly could serve equally well as an energizer of political demand for more inflation with all its evils, because the terrible power to exact ever higher prices as a payment for surcease from deliberately inflicted suffering and deprivation is always bound to be abused. To exact ever higher wages and wage-covering prices is to invite an ever-continued manufacture of new money to contain them, lest increasing segments of the economy price themselves, and their politically entrenched friends, out of existence. This compounds the impairment of free competition and results in the

ominous game of leapfrog up the ladder of inflation.

THIS BRINGS us to the end of our brief exploratory journey into the realm of economic competition. In the course of that journey, I have attempted to show you another tool of analysis that you may use, if you wish, in your investigation of competition. The approach which I have suggested will furnish you no criteria of what is the most desirable number and size of producers or buyers in the market for a given product or service. But the approach does seek to suggest that the maximum human welfare and progress can be insured if we search penetratingly for and eliminate fraud, theft, coercion, and intimidation in the dealings of people with each other.

I have emphasized that we must not overlook the contamination of

competition by means of the coercion that we may practice upon each other *via* our government — the monopoly of legal coercion. I have done so because it is quite human and natural to suppose that if government does something, that thing is thereby rendered proper — even sacrosanct — in a democratic sense. But I remind you that in our land, our government belongs to us. In that sense, it is an extension of ourselves. And if it is wrong for us individually to fine or imprison or intimidate the other fellow to keep him from producing the same thing we want to produce — or to force him to sell or buy something at a price he would not voluntarily approve — then doing the same thing through our government does not make it right. In both instances, it violates the Ten Commandments and the Golden Rule.

71. Liberty

The same liberal construction which is required for the protection of life and liberty, in all particulars in which life and liberty are of any value, should be applied to the protection of private property. If the legislature of a State, under pretense of providing for the public good, or for any other reason, can determine, against the consent of the owner, the uses to which private property shall be devoted, or the prices which the owner shall receive for its uses, it can deprive him of the property as completely as by a special act for its confiscation or destruction. If, for instance, the owner is prohibited from using his building for the purposes for which it was designed, it is of little consequence that he is permitted to retain the title and possession . . .

JUSTICE STEPHEN J. FIELD'S dissenting opinion
In *Munn vs. Illinois*, 94 U. S., 113, (1877)

Currency Convertibility

George Winder

Few of us understand the subtle device of currency restrictions used by all governments to deprive their citizens of both freedom and property

THE VALUE OF currencies, like the value of many other commodities, depends upon a thousand factors which cannot be measured. These depend upon the opinions of the thousands of businessmen who want to buy currencies and upon those who wish to buy and sell the goods those currencies can purchase.

No government has a yardstick that can measure the value of the goods currencies can buy, and this means that no government has a standard for measuring the value of currencies and the rate at which they should exchange for one another. The only possible way to ascertain the value of a currency is to place it on the free market and see what people will pay for it.

TO FIX by law an exchange rate between two currencies which will represent the true value of both currencies is impossible. When values depend upon so many factors which cannot be measured, then it is almost inevitable that a fixed rate

must cheat one of the parties to every exchange transaction.

Businessmen, if left free to buy and sell currencies, are not powerful enough to overcharge each other. There are always too many sellers in the market. If currencies are to be sold at false values, a power of monopoly, which only a government can wield, is necessary. It is almost certain that there is no history of rings or monopolies in exchange transaction except where governments have interfered to create them.

Until the advent of socialism upset old-established moral laws, the earnings of a British exporter of goods or services were his to do with whatever he liked. He invariably sold his earnings of foreign currency in the free market.

This had very important consequences on the community as a whole. It meant, to begin with, that there was an automatic guide to decide whether it was more profitable for people to be employed in export industries or directly em-

ployed in supplying the home market. It enabled the economy, in fact, to be planned by the price mechanism which has so far proved itself to be the most efficient form of economic planning known to man.

WHEN GOVERNMENTS began to expropriate the overseas exchange of their citizens, they lost this one efficient means of planning an economy; and this has been the chief cause for the economic crises we have suffered since the war ended.

It is an unfortunate fact that money, of even the richest of us, is limited. If we spend too much of it on one commodity, we have less to spend on another. In a free country the people decide for themselves how they shall distribute their money among the goods and services offered them, and consequently what they shall have in abundance and what they shall do without. This choice is part of the individual citizen's essential freedom.

IN A FREE country a citizen has the right to buy overseas exchange freely. This means that if he wishes, he can send money to New Zealand for a leg of lamb or a box of butter, or to Australia or the Argentine for a shoulder of beef; or he can buy wheat from Canada or tobacco from Virginia.

Of course, in practice, he will

probably not bother to exercise this right directly; for merchants anticipate his import requirements and order such goods beforehand and place them in shops so that he can buy exactly what he wants. Thus, when exchange transactions are free, a British citizen can enter a shop and choose which goods he shall buy from any part of the world. It is this choice of the citizen that decides for the merchant just how he will spend the overseas exchange he purchases from his bank.

THIS MEANS that those who decide how overseas exchange shall be spent are not bankers or businessmen but housewives and the ordinary British citizen. We are inclined to think that the buying and selling of exchange has nothing to do with the ordinary man in the street, but in actual fact there is not one of us who does not use his right to buy overseas exchange almost everyday. We are the real buyers of overseas exchange — not the banks and the merchant; they are merely our agents who buy according to the directions we give when we spend our money in shops.

Thus when overseas exchange is controlled, it is not banks and businessmen only who are controlled but we ourselves. Exchange control deprives everyone of us of part of our freedom of choice.

People have a right to earn overseas exchange and hold it as their own property and to sell it freely to the highest bidder. To deprive them of this right is to rob them of both their freedom and property. It is also to rob all men of their power of choice, and to reduce them to something less than men.

Editor's Note:

The foregoing passages are selections from a 63-page book, *The Free Convertibility of Sterling* by George Winder, published by the Institute of Economic Affairs in London. It is a textbook which explains to the student exactly what foreign exchange is, how exchange rates are determined, and how foreign payments are made. This book is available through the Foundation for Economic Education, Irvington-on-Hudson, N. Y. — fifty cents per copy, postpaid.

We Won't Share The Pulpit With The Devil

The publishers of *Ideas On Liberty*, the Foundation for Economic Education, make no pretense of "presenting both sides" of the socialist question. The staff members are opposed to socialism — call it government intervention, fascism, communism, the welfare state, common ownership for the good of all the people, or whatever. Since they are convinced that socialism is evil, they themselves would necessarily become evil by their own standards if they repeated the fallacies and clichés offered by the socialists in defense of their position.

The Foundation would no more think of deliberately sponsoring socialist thought than would a minister think of sharing his pulpit with the devil in order that "the people may have the advantage of hearing both sides of the issue." There is no moral obligation — and there should be no legal obligation — upon any person to advance, present, or sponsor ideas which he considers false or evil. This, of course, doesn't mean that FEE is always right and hasn't made mistakes. Since we're only human, we've naturally made our full share of mistakes in both policy and ideas! But when our readers point them out to us — as they frequently do — we admit them and continue our search for more understanding and better explanations.

The Ownership And Control Of Water

EDITOR'S NOTE: "What is the libertarian philosophy concerning ownership, control and use of water resources?" asks a professor who is studying the subject.

That is about as tough a question as has ever been thrown at F.E.E. — a problem to which we've given little, if any, attention. But what an opportunity for a libertarian to test his views!

The professor's inquiry is reproduced below, with his permission, in the expectation that others will want to participate in the search for a solution. He chooses to remain anonymous until he feels more certain of his own views about water rights. Suggestions and comments sent to the Foundation will be forwarded to the professor.

FOR SOME YEARS I have been on the mailing list of the Foundation for Economic Education and have been an avid reader of your publications. While I exercise my freedom to disagree with some of your ideas now and then, I think I have in common with the Foundation a strong belief in the virtues of a free society. My belief is founded on a personal scale of values which places freedom high on the list, and also on the conviction that the free society yields other benefits in addition to freedom. I believe it tends to be more progressive and more efficient in the economic sense. It is, I think, stronger but less prone to aggression.

My primary purpose in writing this letter is to solicit ideas from you or members of your staff on a

problem which is currently engaging my interest and part of my time. I am endeavoring to appraise legal systems by which water resources are allocated. The primary criterion in making this appraisal is whether or not these systems are conducive to efficient utilization of water resources. My first impression is that a system which places water resources in private hands and relies on consumer choice and free competition will be most conducive to efficient utilization of such resources. There appear to be no a priori reasons why the free market economy should be any less efficient in guiding the utilization of water than it is in guiding the utilization of land, petroleum, coal, or the production and distribution of foodstuffs, clothing, or any other

scarce goods. Moreover, the free market system appears to apply a concept of freedom and a definition of the legitimate role of collective interference with it in a free society which has often been stated in your publications in some such words as "freedom means the right to do as you like so long as you don't interfere with similar rights of others, and the sole function of government is to protect this right from encroachment by other individuals or groups." But there are some complicating peculiarities about water resources that make it difficult to apply the above maxim of freedom in devising a system for water resource allocation and perhaps in some cases raise questions about the desirability of leaving decisions on water resource utilization to the market economy.

FIRST, what is meant by private ownership of water resources? Establishing ownership of certain particular molecules of water ordinarily is not feasible or even what is desired. A mill or hydroelectric enterprise wants a *flow* of water. Many other users also want flowing water. Some water resources occur naturally as flowing streams and some are relatively stationary reservoirs, like petroleum deposits. Some of these water reservoirs, most of them in fact, are self-replenishing, unlike petroleum de-

posits. So too are the flowing streams. Having regular access to a flow of water at a given rate requires control of the movement of water in many cases. Since ultimately supplies of fresh water come from rainfall, maintenance of a supply may require control of cloud seeding and other practices to influence rainfall as well as control of its movement after it has precipitated on to the earth. Maintenance of a supply of water may necessitate limitations on actions by other persons affecting the flow of water thousands of miles away.

Second, what is meant by utilization of water? Some uses of water are consumptive as for example, drinking, and irrigation. Other uses, such as water power, navigation, recreation, certain industrial uses, and sanitation, are essentially nonconsumptive. They do not appreciably diminish the supply available for subsequent uses. Many nonconsumptive uses, however, alter the quality of the water and affect the stability and channels of flow.

ANOTHER COMPLICATION results from the fact that water is not always an asset. It may be undesirable if it is present when and where it is not wanted. It can be too plentiful at certain times and places. Individual efforts to avoid the undesirable effects of water may

cause harm to others. Elimination of a flood threat downstream may require reservoirs upstream which flood other land. An individual landowner cannot ordinarily protect his land from flooding by building a levee only on that part of the riverbank which he may own; in fact, flood protection by levees will fail if even one riparian landowner in the area of flood danger refuses to build or permit the building of a levee on his land. How should the free society take care of these problems?

Vast and complex systems of law, common and statute, have been developed dealing with questions of who has the right to the use of water and how it may or must be used. Throughout the world and down through the ages water resource utilization has been one of the most highly regulated of economic activities. I am endeavoring to determine the extent to which the laws and customs relative to water in the United States contribute to or hamper the efficient use of water. If the best method of securing efficient use of water is free consumer choice under a system of private ownership and competitive markets, as the libertarian believes is the case, evaluation of the legal framework involves ascertaining the extent to which it promotes or inhibits such a system.

In order to present some of these

problems in more concrete form, I have summarized below a few of the legal principles governing allocation of water in the United States, and I have posed some questions concerning the compatibility of these principles with the libertarian philosophy. I would appreciate your thoughts on these questions.

American law commonly recognizes two kinds of water supplies — surface and underground. Surface water may occur in streams or lakes, or it may be diffused such as that running over fields on its way to lakes and streams. Most underground water percolates down from the surface into reservoirs of relatively stationary waters or into flowing underground streams or some of both.

BASICALLY, one of two common-law systems of allocating surface water (other than diffused) for private use is followed in this country. Statutes have codified and modified both. The first is called the riparian system, which still governs in most of the eastern states. According to this rule of law, the owner of land through which or along the boundaries of which streams flow has rights to the continued, undiminished, and unpolluted flow of the stream past his land. No one upstream, even another riparian landowner, can

use the water so as to interfere with the flow to downstream riparian owners. This rule of law is usually qualified to permit reasonable domestic uses and stock watering by riparian owners even if such uses diminish the flow. The riparian owner can insist on maintenance of flow even though he is making no use of the water himself and does not even contemplate doing so. The riparian water right thus is attached to the riparian lands and is a right to use as long as the natural condition of the stream or lake is not appreciably altered.

The other doctrine, which prevails in most western states, is called the appropriation doctrine. According to it, water rights may be acquired by either riparian or nonriparian landowners on a "first-come, first-served" basis. The first to make "beneficial" use of water acquires the right thereto, and in case of water shortage the rights acquired later in time have to give way first. This is not a system of pro rata distribution but a system of priorities in which prior (in time) water rights are entitled to be fully satisfied before subordinate rights can claim any water at all. These appropriation rights are rights to use certain amounts of water during specific periods of time for certain purposes. The holder of the right cannot ordinar-

ily change the use without losing the right and cannot sell the water to someone else to use for any other purpose at any other place. The continuance of the right is dependent on exercise of it. Failure to use the water for a period of time results in forfeiture of the right.

THE LAW on underground water traditionally has been similar to the petroleum resources law. The surface landowner owns the subsoil rights to water and can pump as much water from sources under his land as he wishes to and is able to. His neighbors can do likewise. If he takes all of the water, his neighbors have no claim against him — the water belongs to the owners of overlying land who capture it. This common-law rule has been modified in many states both by statute and court decisions in a number of ways. Rights to water in underground streams and/or reservoirs are sometimes treated in the same manner as surface water rights. In some cases the water in underground reservoirs is divided among overlying landowners, legal limits on pumping being imposed on each landowner so as to provide for equitable (not necessarily equal) apportionment, particularly in times of shortage, and to prevent excessive pumping which greatly lowers the wa-

ter table or exhausts the supply altogether.

Overriding all these rules regarding private use of water, of course, are the eminent domain statutes which permit the taking of private water rights for public use. The public uses are thus held to be of paramount importance and do not have to demonstrate this priority by competitive bidding in a free market. A hierarchy of priority of public uses may even need to be established to determine which ones have first claim on the water.

THE UTILIZATION of water is complicated by many other legal principles almost too numerous to mention. The water originating or flowing through lands owned by the federal government is subject to a great many controls which affect private and public users of such water on public lands and after it flows out of public lands. Federal authority over navigable streams also enters the picture of rights regarding the use of water. Problems also result from the fact that the state is the usual unit of government which confers water rights while water supplies are frequently interstate in character. Hydrologic processes do not recognize state or even national boundaries. The state of Nebraska may give its citizens rights to use Mis-

souri River water flowing through Nebraska but it cannot prevent South Dakota from taking all the water first. This example is an exaggeration, of course, but it illustrates a valid and important principle in American water law.

There are several points at which questions regarding the compatibility of these water rights laws with the libertarian philosophy come to my mind:

1. Does the libertarian philosophy afford a basis for choosing between the appropriation and the riparian principles in allocating surface water rights for private use?
2. Does the libertarian philosophy afford a basis for evaluating the various systems of allocating underground water? Should each overlying landowner be entitled to a proportionate share? Should he be entitled to what he finds and takes or is some other policy a better application of the free way?
3. Are legal restrictions on pumping from underground wells, imposed in the interest of maintaining the water table, compatible with the libertarian philosophy?
4. Is a law which lists priorities of use, as many appropriation statutes do, compatible with libertarian ideas?
5. What about the whole matter

of eminent domain, taking private property for public use, taking upstream land for a reservoir to protect downstream landowners from floods, or appropriating private water supplies for municipal use?

6. Should an appropriator have to show "beneficial use," whatever that is? Shouldn't he be the judge of this?
7. Why should not an appropriator, having established his water right by prior use, be free to change the use of his appropriated water, or free to sell the water to anyone else who wants to buy it to use for whatever purpose?

I FIND it no simple task to translate the credo of "do as you like as long as you don't interfere with other people's rights" into specific policies in many of these situations. What *are* other people's rights? If

I take water out of a stream, I interfere with the flow which may affect downstream users. But if everyone has to let the water flow on by, it goes to the sea with no one using it. If I build a dike which shunts excess water off my land on to my neighbor's land, am I infringing on his rights? If water is scarce and I use it for watering my lawn while others haven't enough to drink, is this infringing on the rights of others? If so, doesn't the same principle apply to all economic goods? If collective action to prevent such "waste" or "misuse" is warranted in the name of protecting *individual* rights, isn't the foundation laid for collective establishment of a whole set of legal priorities to replace the free market as a way of allocating any scarce resource?

Any thoughts you may have on these matters will be greatly appreciated.

If it be admitted that a man, possessing absolute power, may misuse that power by wronging his adversaries, why should a majority not be liable to the same reproach? Men are not apt to change their characters by agglomeration; nor does their patience in the presence of obstacles increase with the consciousness of their strength. And for these reasons I can never willingly invest any number of my fellow creatures with that unlimited authority which I should refuse to any one of them.

Alas DE TOCQUEVILLE, "Democracy in America"

Letters

UNQUESTIONABLY, one of the most effective forms of communication is a thoughtful letter written to a person in answer to his own question.

The staff members of the Foundation for Economic Education write thousands of such letters each year. Some of these are, in effect, short articles on "general interest" subjects not fully covered in previous FEE publications.

A selection of these letters — slightly edited to eliminate extraneous references — will be published in this section from time to time.

Competition

Dear L:

You aren't alone in your fears of the supposed dangers of competition. The majority of the American people seem to prefer some sort of protection or subsidy rather than open competition. And the government obliges them by adding new laws to the old ones in an attempt to defeat the purpose of a free market. I am convinced that this trend away from competition and toward more controls is bad. To help my own thinking in this area, I sometimes ask myself and answer these three questions.

Question: In what country are the greatest number of little businesses started each year.

Answer: In the U.S.A.

Question: In what country are the greatest number of little businesses becoming big businesses?

Answer: In the U.S.A.

Question: In what country is this little-to-bigness growth faced with the greatest competition?

Answer: In the U.S.A. where exists the greatest industrial system ever known on earth.

In short, I believe that if we were to remove the challenges and the demands for efficiency and excellence that competition presents to all of us, our industry would become flaccid and eventually would wither and die. LEONARD E. READ

Mr. Read is president of the Foundation for Economic Education.

What Can I Do?

Dear Mr. E:

"What can I as an individual do to stop this mad rush toward compulsory collectivism in America today?" Few questions are as challenging as yours, and here's my attempt at an answer.

Fortunately for the cause of freedom, it is only as an individual that you or I can do anything at all. This is true because every good idea — as well as every bad idea — begins with one person. He in turn convinces another person. Soon there are several persons who have accepted this idea as advanced by one individual person. This is the voluntary way of accomplishing a desired objective. This is the only method that is in accord with freedom. Unfortunately, it quite frequently happens that individual persons who have voluntarily accepted an idea then band themselves together to force — by vote or otherwise — their idea upon other persons. This, of course, is directly opposed to freedom. It is force and compulsion. This is the method used by those who desire to make other persons do as they think "best for them" or "for their own good." This concept is contained in the much used phrases, "There ought to be a law to make people do this" and "Every American should be forced to read this."

Force cannot be used in the interests of freedom — except for self-defense and rebellion against slavery. This holds true whether the force is applied by a majority or a minority. It holds true whether the force is applied by a robber with a pistol or by a representative of the majority of the people who have voted to force other persons to do what the majority considers "best for them." The theory now held in this country that the votes of the majority automatically insure freedom is incorrect. It is now leading us to our own destruction. *Might has never made right.* It never will.

THIS IS not to deny that a republic or representative democracy is the most desirable form of government we have yet discovered. It is not to deny that freedom is safer in the hands of the many than in the hands of the few. But it is to deny that freedom is automatically safe just because the franchise has become widespread in America; just because we call ourselves "a democracy." It requires more than a vote to preserve liberty; it requires *understanding* on the part of the voters; it requires the knowledge that all governmental decrees and actions must be grounded on moral and natural law if they are to benefit the people.

And that is where *you as an in-*

dividual enter the picture. Without in any respect repudiating democracy and the right of universal franchise, all voters must understand that *what becomes law* is far more vital to freedom than the method used to secure its passage. Blinded by the erroneous belief that freedom is automatically guaranteed by the right to vote, we are now rapidly voting ourselves into abject dependence upon governmental control of our affairs. We are repudiating the responsibility that *is* freedom. We are adopting a “something for nothing” philosophy.

IF YOU would best serve the cause of freedom, you must explain this concept to all who will listen. If you as an individual neglect to do this, how else can it be done? I cannot do it because I do not know your family, your business associates, your fellow churchmen, your lodge brothers, your friends. They will listen to you — not to me.

Now you may say: “But all my associates and friends already agree with me. They are already on our side!”

IT IS TRUE that most of your associates and friends may pay lip service to the principle of private ownership of the means of production. They may say that they are opposed to “special privileges” for

anyone — but are they? How many of them are opposed to government's entry into the business of producing and selling electricity? How many of them understand the danger to personal freedom found in compulsory, government-guaranteed “security”? Who is the logical person to explain it to them — I or you?

ARE ALL of your friends and associates opposed to government-decreed, compulsory unionism? How about our government's support of socialism in Europe? Do your associates understand that tariffs cause higher prices by protecting less efficient producers? What about the other violations of freedom such as rent control, progressive taxation, the decreasing of the value of our money by government decree and by deficit financing, price supports, and a host of others? These are vital issues. Can you explain them convincingly to your friends and associates?

What can you as a lone individual do? First you can train yourself to *explain* instead of, like most of us, only to *sputter* on behalf of liberty. We here at the Foundation for Economic Education can be of help in that respect. In many cases, we spend a thousand technically skilled hours to prepare a study that you or any other interested person can read and understand in

less than an hour. Our sole purpose is to furnish this information to any person who will use it. Our work is ineffective unless individual persons read it, understand it, and explain it to other individual persons.

Now it may be that you — like me — do not know the answers to all these questions. If that is true, I suggest that you and I learn them. Literally, we must *learn* freedom. We as individuals must understand the philosophy of freedom so well that we can explain it convincingly and persuasively.

ABOVE ALL, as individuals we must begin this job with other individuals. Don't expect to change the course of the nation overnight. Begin with just one person. Convince him or her that personal responsibility for one's own welfare is more desirable than government-guaranteed "security." Convince him that freedom will work if we will only trust in it. If this one person becomes convinced through understanding, he or she will in turn convince another person. And so on. In short, if you yourself understand and are able to explain the fallacies of compulsory, government collectivism — and the alternative advantages of voluntary cooperation — many persons will seek your opinion and advice. Only

then will you become truly effective.

Slow? Yes! But it is the *only* way. Any short cut must necessarily involve compulsion. That would defeat your own purpose! Education is indeed a slow process. That is because it must be voluntary. The person must want to know. He cannot learn until first he has a desire to learn. Thus your task as one individual person is indeed a hard one and a vital one. First you yourself must be able to explain your philosophy convincingly. Then you must be most tactful in approaching the other person. While it is not dangerous to be honest, one should not become cantankerous with his honesty. Don't argue; explain. Don't call names; you will only antagonize. Since freedom is the world's finest product, there is no reason why a skilled salesman can't sell it to several of his friends and associates. Suppose that a million "individual persons" did that? The battle for freedom would soon be won. The voters would then automatically reject all socialistic candidates and proposals, by peaceful and voluntary means.

I hope that this purely personal answer may be of some aid or encouragement to you. And, finally, good luck!

DEAN RUSSELL

Dean Russell, now with United States Steel, wrote this letter as a member of the Foundation staff.

The Wage Spiral?

Dear Mr. M:

I now wonder if I failed to make myself clear on the point about wage rates. May I try to restate it briefly?

As I see it, during a period such as we are now in, it is the government-created excess of money that makes prices high — and wages are merely one of the prices thus made high by inflation. If little is produced at these high wages, no matter what its cause, prices will then be *additionally* higher for that reason, too.

In the deflationary period of the early Thirties, it was my contention, using these same tools for analysis, that prices could not be raised solely by the device of the government's forcing wage rates up (minimum wages, etc.); that they could only raise unemployment thereby. To be consistent, I could hardly contend that rising wages cause prices to be high in a period of inflation, but fail to do so in a period of deflation. F. A. HARPER

Dr. Harper is a member of the staff of the Foundation for Economic Education.

Value Is Subjective

Dear Mr. K:

The "subjective theory of value," which you ask about, is the one upon which Dr. Mises bases his

analysis of the market economy in *Human Action*.

Dr. Mises starts with the idea that because people *want* goods and services, other people try to produce them. This demand gives value to the *means*, i.e., the factors of production needed for obtaining these goods and services.

VALUE is not objective — it is entirely subjective. The value of object "A" in your opinion may be higher than that of object "B," whereas their importance to me may be exactly the reverse. In that case, I would be willing to exchange my "A's" for your "B's." And if we exchanged "A's" and "B's" in this way, we would both gain. Exchanges take place only because people value things differently — not because there is any objective equality in their values.

The objective theory, commonly known as the labor theory of value, as I understand it, holds that something has "value" because of the work that went into making it. Yet, we well know that a person may spend hours of tiresome labor to make something that cannot then be sold at any price. A man who drills for oil, only to find the well dry, cannot always sell his land, equipment, and the hole in the earth for enough to repay him for his efforts and expenses. The labor theory of value would at-

tach "value" to his hole in the earth comparable to the time and effort spent in drilling it, whereas actually it can have "value" only if somebody believes it will have worth to him in some way or another.

THE MOST important thing to keep in mind in refuting the labor (objective) theory of value is that value is subjective. *Value originates with the consumer's opinion — his desire for the articles concerned.* I know that after thinking in terms of the work that goes into an article, this sounds like thinking backwards. But the laws of economics and the operations of the market can be explained only by recognizing that all values are purely subjective. The source of the price of anything on the market, as well as the price of all the goods and materials that go into its production, is the subjective thinking of the final consumer.

The chapters in Mises' book, *Human Action*, which deal with "The Market" and "Prices" show how in the final analysis, the consumer, each with his own individual preferences, controls production and prices. I hope this brief explanation helps to point up the ideas that Dr. Mises writes about in much more technical language in his weighty volume. BETTINA BIEN

Bettina Bien is a member of the staff of the Foundation for Economic Education.

A Federal Failure

Dear Mr. S:

You are so right in concluding that we have government controls of the "Agrarian Reform" type, instead of a free market, simply because a majority prefers, or at least sanctions, that arrangement. The political power of a majority is a tremendous fact, whether or not there is factual support for the views of the majority. Though I personally believe that the depressed farm prices, farm mortgage foreclosures, and general conditions of poverty of the early Thirties were the direct consequence of government controls, the fact remains that many persons are fully persuaded that the free market caused all the trouble.

You and I know that World War I was not a free market operation in any sense of the term. Deficit financing of government spending was not a free market operation. Tariff and exchange controls and other governmental barriers to international trade were not free market operations. Arbitrary governmental manipulation of interest rates was not a free market operation. Government stockpiling in the name of the old Farm Board was not a free market operation. Government threats of reprisal against business management for compet-

itive pricing practices of any kind, long before the days of the National Industrial Recovery Administration, were not a free market operation. And we could go on listing the governmental interventions of the Twenties, and earlier, which were designed to contradict and destroy the free market guide to economic human action. Yet, we have allowed some clever and unscrupulous politicians to throw most of the blame for their own actions upon the economic system which they were systematically wrecking.

IT SEEMS to me that the foregoing is a fairly accurate summation of the situation which inevitably culminated in a disastrous disruption of trade. If the free market is to be condemned, I think the only fair criticism must be that it is vulnerable to destruction by political processes. The free market is not an all-powerful governmental institution — it is an alternative, available only to those who will voluntarily trust themselves and one another to the human relationships of open competition and mutually advantageous trade. If men fail to understand and use this highly desirable institution, that hardly justifies the conclusion that the institution of the free market has failed. I should hasten to add that man's abuse of political powers is

not necessarily a condemnation of the governmental process. However, I do feel that the temptation to abuse political power is more or less inherent in any philosophy of government control, however limited the scope of that government originally was supposed to have been.

Now, I think your letter really raises this question: How do we best help bring these facts and this free market philosophy to the attention of others with whom we wish to trade and live in peace? And you are well aware that I have not found a sure-fire answer. I only know for sure that we cannot compel others to believe in freedom. We can only invite them, by our actions and with explanations as clear and patient and tolerant as we can produce. There is always a danger in pointing to a specific application of the failure of controls, as in the *Agrarian Reform* pamphlet* dealing with the wheat price support program, that someone will say, "He's blaming everything on farmers!"

If I were wise enough, I'd know how to avoid leaving such a false impression. In the attached Clipping, *More Than the Traffic Will Bear*,* I tried to list several examples of compulsory intervention, hoping thus to show that no single

**Agrarian Reform* pamphlet and Clipping of Note #69 available upon request.

faction is wholly guilty, or guiltless, either. I suppose the only answer is to keep trying, hoping that each new attempt may encourage a few others to try their hands at the extension of the freedom philosophy.

You have so clearly stated one of the major problems we face that I suspect you may be working on an effective answer, an answer we surely need. That is the problem of the farmer who believes he needs and is entitled to special benefits because labor groups and others are "getting theirs." There must be some way to demonstrate with conviction the idea that virtue is its own reward; that the process of compulsion is a hindrance to the

master as well as to the slave. There is a vicious fallacy, if we only knew how to expose it, in the implication that freedom can't work unless the other fellow initiates it — that I couldn't gain by free trade until everyone else in the world has stopped trying to use compulsion. I think it's up to each of us to practice the freedom he has, if he wants to preserve and expand it, even though a majority of others might seem to favor some system of collective controls.

I'm most grateful for your help in pointing up our problem.

PAUL L. POIROT

Dr. Poirot is a member of the staff of the Foundation for Economic Education.

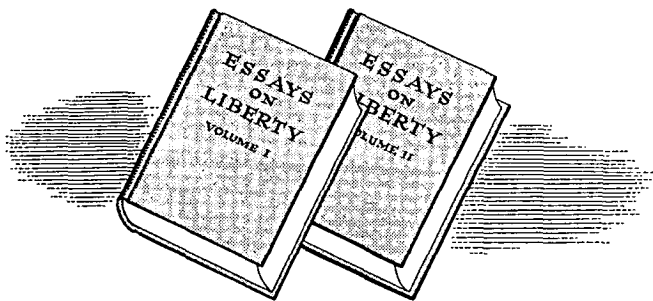
The Eighth Commandment

Suppose that, in an isolated valley, there are three men, each working for himself on his own farm. One is very diligent, and, when winter arrives, has accumulated a large store of foodstuffs, and has on hand ample feed for his horses, cows, and poultry. The others, having taken life easy during the summer, find that, long before spring, they are short of provisions. If, then, they combine forces, set upon their neighbor, and seize his possessions, both capitalists and collectivists will agree that the two lazy farmers have violated the Eighth Commandment — in other words, have stolen the diligent farmer's goods.

But, suppose instead, that the two insist upon establishing a democratic government for the valley. They hold a "town meeting," and, by a vote of two to one, adopt a statute requiring that all share equally in the summer's produce. Is this a perfectly legitimate action, falling outside the scope of the Eighth Commandment? If not, just how many persons does it take to establish a government and make the procedure ethical?

WILLFORD I. KING, economist, Committee for Constitutional Government

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